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Equity Strategy

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Table of Contents

Equity Outlook..... 3

Key Drivers

1. Tariffs are rising stagflationary risks..... 55

2. Look for resumption of bearish USD view into yearend..... 60

3. Earnings are staying bifurcated..... 67

4. Equity P/E multiples are not stretched outside the US, but the US is trading expensive in the historical context..... 76

5. Sentiment is complacent again..... 78

Key drivers of positioning: 1. Bond yields – Cyclicals and Financials show a strong positive, and crucially coincident, correlation to yields..... 79

2. USD direction matters for regional calls, in particular for EM equities, and for commodities..... 85

Regional Allocation

EM..... 86

Japan..... 96

UK..... 102

Eurozone..... 108

US..... 117

Regional and Asset Allocation, with Index targets..... 123

Themes and Baskets..... 124

Sector Allocation..... 152

Energy..... 153

Materials..... 154

Industrials..... 158

Discretionary..... 162

Staples..... 167

Healthcare..... 171

Financials..... 173

Real Estate..... 178

Technology..... 180

Communication Services..... 184

Utilities..... 186

Technical Indicators..... 189

Equity Flows..... 192

Sector Valuations..... 193

Prepare to start buying Eurozone again… in the interim, challenging trade news and stagflationary risks need to be digested first…

- **Since March, we have looked for a consolidation in SX5E**, given the excessive optimism at the time, positioning overhang in the aftermath of the strong rally, likely travel and arrive with respect to stimulus news, and due to continued trade uncertainty, among other – see report. We now think the time is approaching to start adding to Eurozone again. **It is helpful that over the past 6 months Eurozone equities saw a digestion phase,** SX5E has stalled in absolute terms, in fact it is 6-7% lower today than it was at February highs. This is especially notable vs the US, where SPX has been making new highs, and Eurozone/US relative performance has been pulling back for a while now. We think this is healthy, too bullish Eurozone optimism was checked, and now that strong US Tech results are out in the open, with US AI and beta factor at highs, **we believe another buying opportunity for Eurozone is coming in the next 1-2 months**, in absolute terms, and potentially relative to the US, too. But first, **we think stagflationary risks we were warning about need to be worked through**.
- With respect to FX, post the 12% DXY fall n 1H, we looked for a likely short-term bounce – see report, but here, too, **we think that this is not the start of a sustained USD rebound**. USD does not look outright cheap, its 1H move has just unwound the exceptionalism driven spike seen in Q4 of last year – page 8. **Fed futures have recently made ytd highs – page 8, and from these levels they are set to move dovish again**, which in turn would mean renewed USD softening into year end.
- Looking at the US, our forecast was for a stagflationary backdrop to take hold in 2H – see page 17. Until recently, the resilient dataflow has been challenging this view, but the adverse tariffs impact might not be cancelled, merely delayed. **Tariff headlines are not going away**, the increase in effective tariff rate is still the largest in 100 years, with final levels likely to settle not far from original "Liberation day" assumptions – page 14. Frontloading of orders and the initial decision by some corporates to keep sticker prices flat in the hope that tariffs noise will be temporary, might have played a part in more muted impact so far. **While services disinflation is helping, we note goods prices are picking up, and supercore CPI is bottoming out** – page 15. The pain trade was in force since April, but we note that investor positioning has almost fully recovered by now – page 13.
- We are **still comfortable with the long duration call**, because any potential US inflation pickup due to tariffs could hurt consumer purchasing power, and labour market is softening, which could bring in a more aggressive Fed action. **Post the strong beta rally, bond proxies could be interesting again**. In terms of drivers:
- 1) **Soft data is recovering, but the gap with hard data is large.** Our economists look for weaker activity ahead, which could coincide with a move up in US inflation, raising the prospect of stagflation. **Retail sales and labour market are weakening**.
- 2) **Bond yields are likely to be checked by slowing growth**, in our view, which will lead to **renewed USD softness**.
- 3) Consensus earnings growth projections of 14% for next year appear elevated in light of slowing activity.
- 4) At 23x, US forward P/E remains stretched. International markets look cheaper – page 76.
- 5) Various risk metrics are suggesting complacency got elevated again, with positioning having rebounded, Vix at lows, credit spreads tight and inflation forwards subdued, among other.

…the tactical recent USD firming to give way to renewed softness into yearend… EM will benefit from that…

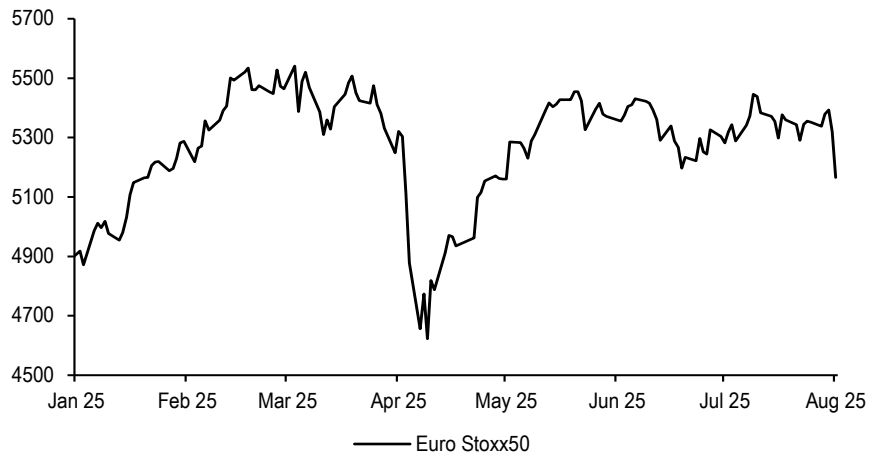
- While we argued already in March that Eurozone looks tactically overbought, calling for a consolidation, the digestion phase will be ultimately healthy, in our view, as flows normalise, and there could be a renewed Eurozone push as we get closer to German stimulus impact, and as improving Eurozone credit impulse starts to be felt – page 41, a result of past ECB easing. We are staying away from SX5E tactically still, as stagflationary risks need to be digested, but would look to add over the next 1-2 months.
- Big picture, **the starting point between US and International equity weights, as well as valuation divergence, remains extreme** – page 35. The potential resumption of the rotation into International markets, post the last 6 months pause, could work even if US were to see stagflation fears materialize. To be clear, there is not likely to be any decoupling, and Eurozone was typically a high beta on the way down, but International markets might not underperform for too long, as would historically be the case, in the renewed market volatility. This is because USD might not trade as a safe haven, which would typically be the case. Also, the question is how much of a safe haven will Tech be, as it is clearly trading more like a high beta of late – page 9. Finally, Europe and China could show greater fiscal impulse compared to the US, as an offset.
- **OW EM vs DM.** We expect better EM performance this year on a likely peak in trade headwinds vs China, on potentially stronger EM FX, EM central banks easing – page 39, and on more China policy support. This comes after years of very weak EM equity relative performance, which coincided with USD strength – page 37. EM look cheap and under-owned. Within EM, we continue to be bullish on China Tech.
- **Japan** shows the largest earnings yield vs bond yield gap, TSE reforms are continuing, with buybacks at new highs, and wage growth is improving. Inflows could increase – page 98, and there could be a domestic reallocation into equities. We do not expect much JPY volatility in ‘25, in contrast to 2024, and in fact a stronger JPY could support flows into domestic assets.
- Our econ team is calling for lower growth and higher inflation in the **US** over the next months. Having said that, activity has so far remained robust, the tax bill is a net positive, and the US is unlikely to be the only region experiencing growth scare, if it were to come to pass. Trade uncertainty is in theory less of a headwind for the US, at least relatively. If markets relapse into weakness, the US has typically held up better than other regions during risk-off periods, but this time around Tech and USD might not be the “safe” havens.
- The **UK** is showing a record valuation discount vs other regions, as well as the highest dividend yield globally. UK is comparatively less trade sensitive, and we think that it could show another positive spell of relative performance if volatility returns. UK is a low beta market and benefits from a defensive leadership.
- **Eurozone will likely not decouple from the US**, but there could be renewed positives post the current consolidation. Fiscal expansion by Germany is a clear support, trade negotiations have progressed, and gas prices are staying near lows. **Defense could see some bouts of profit taking, but we recommend staying structurally long the sector.** We have been tactically neutral Eurozone vs the US over the past months, but one should use weakness in SX5E to add on a 1-2 year view.

…Cyclicals are stretched vs Defensives, trading above where yields & PMIs would suggest; Small caps are working in Eurozone and in Japan

- **Style-wise, we continue to believe that in 2025 there will be a change in leadership.** We have been OW Growth vs Value style, OW large vs small caps and OW DM vs EM for years, but some of these could be changing. We have in summer '24 advised to add to small caps outside the US, mainly to Europe and Japan. **Small caps had 3 very weak years in all the main regions** – page 48, including last year, and are generally struggling again this year in US. In Europe and Japan they are ahead, and we prefer MDAX here, as well as Japanese domestic reflation trades. For the US, we stay with exporters vs domestic plays, and large vs small. This could change if Fed becomes aggressively dovish, or if the benefits of the recent tax bill filter through.
- Also, we have neutralised our Growth OW last summer. We note that in Europe Value is performing strongly this year, while in the US Growth is making a comeback of late. Defensives did well in Q1, but lagged since. **Cyclicals vs Defensives have made new highs, and decoupled from PMIs and from bond yields, both of which are pointing to a less bullish backdrop. We think low beta style could get a bid again**.
- Beyond our more neutral Growth stance, bullish small caps view outside US, and our tactical preference for Defensives, **our 3 key medium term thematic longs stay - bullish view on China Tech, on European Defense and on Japanese Banks**.
- We believe **Materials could look better**, on potential renewed USD weakness, lower gas prices and on potentially stronger China, we have this year double upgraded Chemicals and Mining – page 53, but **we find Energy still unattractive** – page 153. Energy equities do not appear to be showing much of a gap with oil prices and we believe that it is correct that the sector is lagging the market in both the US and in Europe.
- US **Banks** have likely deregulation support as a tailwind and European Banks should benefit from a significant fiscal stimulus medium term, but tactically European banks appear toppy**.** European Banks earnings are likely peaking – page 173. Banks look cheap, on 0.9x P/B, and are well capitalized; however, credit spreads could widen if the economy deteriorates and provisioning could increase from relatively low levels – page 175. Banks earnings could roll over with weaker credit growth and lower bond yields. Ultimately, Banks should still be seen as a Cyclical sector.
- We have been bearish on a range of China-exposed Cyclicals for a while, and despite our more positive call on EM, for now **we stay bearish on China exposure, keeping UW on Autos, Luxury and Semiconductors in particular**.
- Our key **OWs are in Telecoms, Real Estate, Mining, Chemicals, Insurance and Software, and we maintain our long-standing OW on Aerospace and Defense**, as European countries will need to keep increasing their defense spending, and direct their orders to European champions. Within this, we recognise that a potential ceasefire in Ukraine could provide a temporary volatility in the sector, but one that should likely be added into.
- Out of key themes, we highlight: Defense Champions JPEUDEFN, Defense supply chain JPEUDEFS, Germany whatever it takes – JPDEFISC, China exposure – JPEUCHNA, Ukraine-Russia – JPEUUKRN, and Trade uncertainty - JPEUTRF.

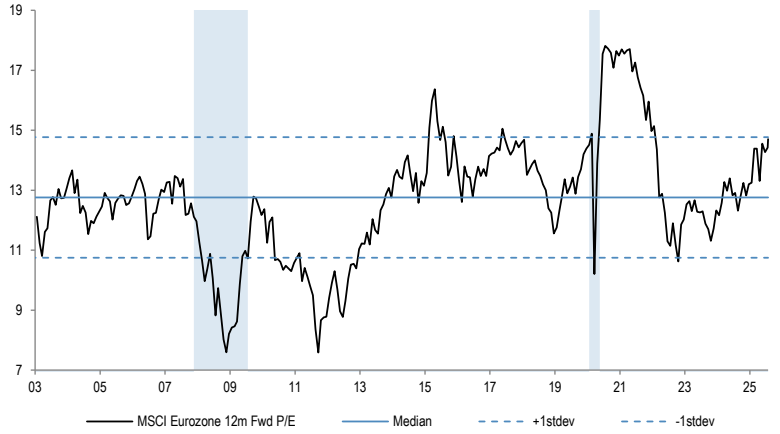
We have argued since March that SX5E optimism was excessive, and that Eurozone looks overbought… …the digestion phase is healthy…

SX5E ytd



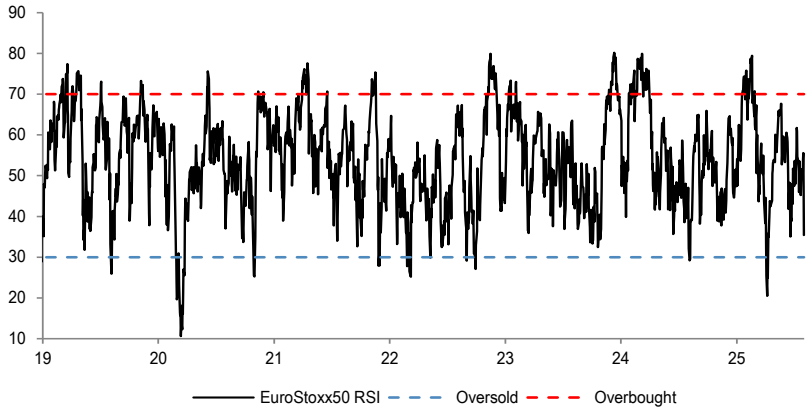
Source: Bloomberg Finance L.P.

MSCI Eurozone 12m Fwd. P/E



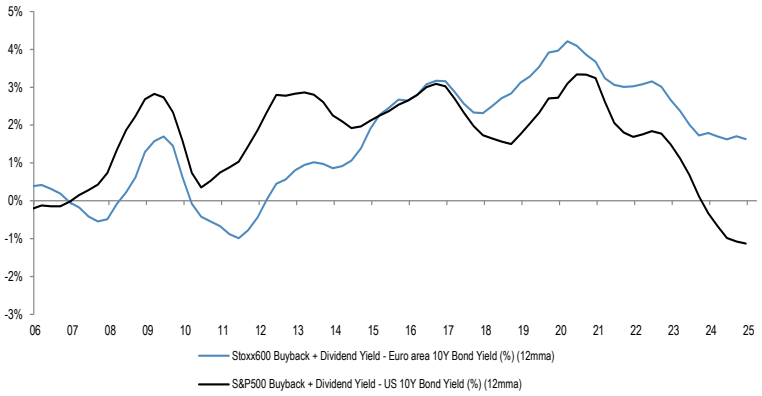
Source: IBES

SX5E RSI



Source: Bloomberg Finance L.P.

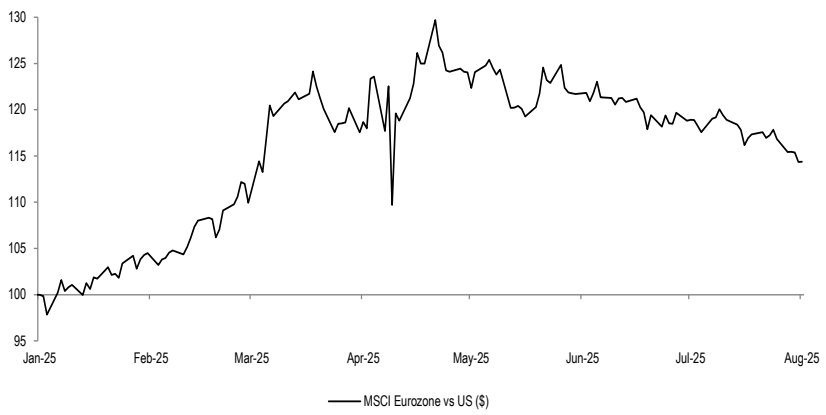
Europe and US total yield minus bond yield



Source: Bloomberg Finance L.P.

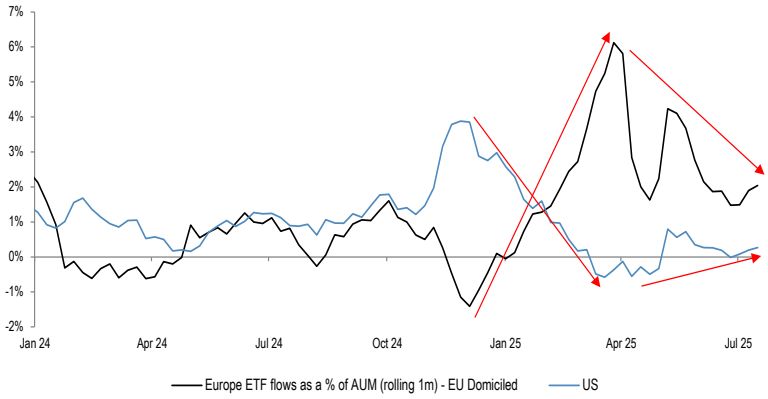
…Eurozone lagged the US for the past 6 months, helping the flows to normalise… another buying opportunity could be coming up

MSCI Eurozone vs MSCI US ($) ytd



Source: Datastream

Europe and US ETF Flows as a % of AUM



Source: EPFR

The spike in Fed futures supported the recent firming in USD… we believe USD will come under renewed pressure into year end

Fed funds futures - Dec '25

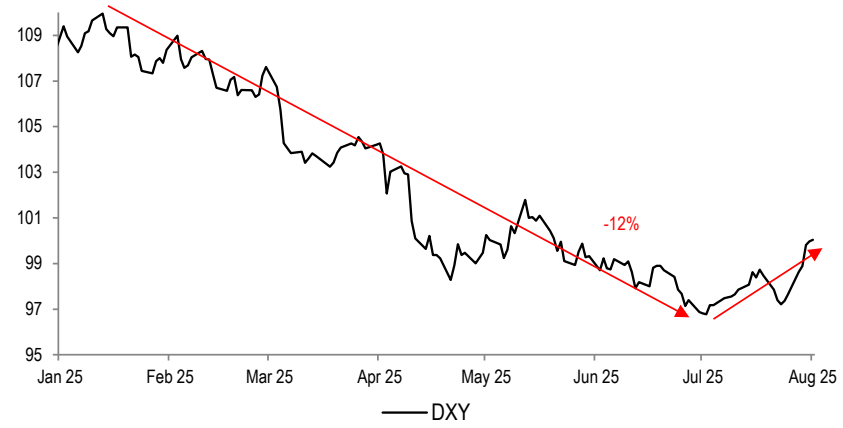
Source: Bloomberg Finance L.P.

JPM DXY forecasts

Exchange rates		Forecast for end of			
	1-Aug-25	Sep 25	Dec 25	Mar 26	Jun 26
DXY	100.1	95.8	95.0	93.5	93.6

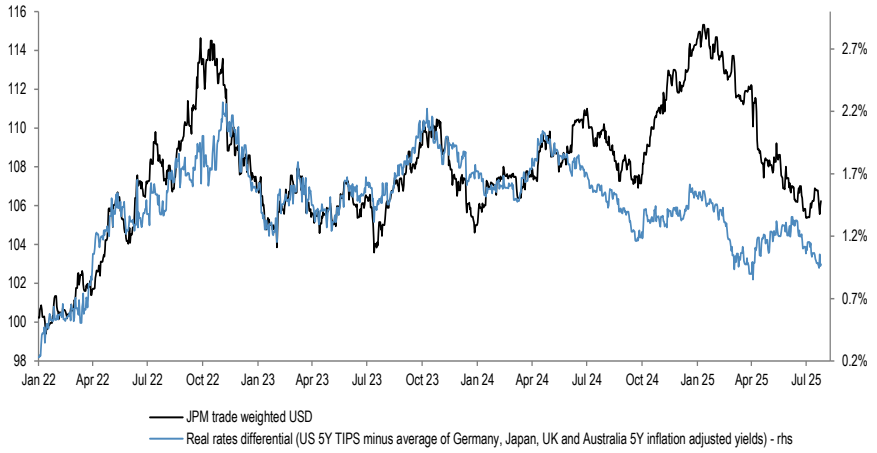
Source: J.P. Morgan

DXY ytd



Source: Bloomberg Finance L.P.

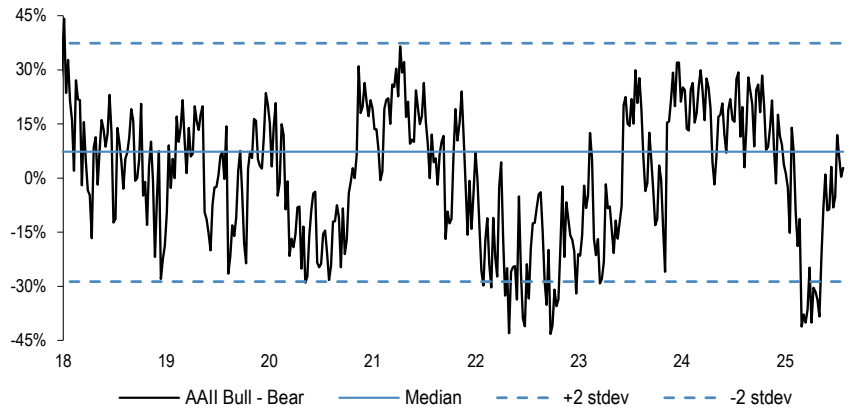
USD and real rates differential



Source: Bloomberg Finance L.P.

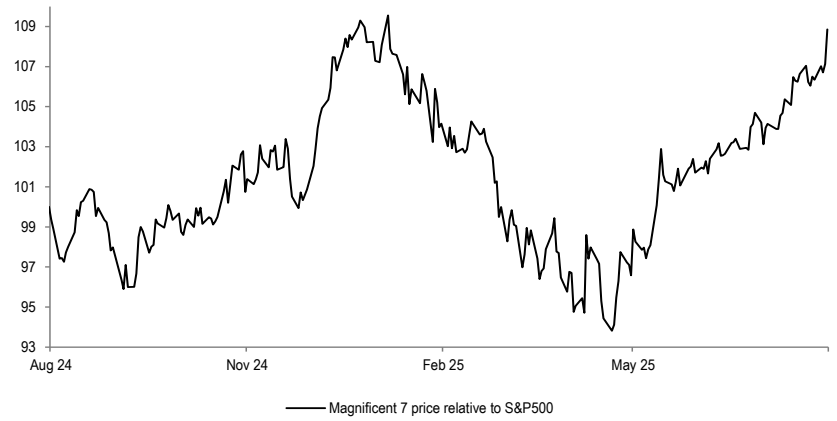
Signs of complacency are evident… Cyclicals have been very strong… Mag-7 are these days trading as a high beta to SPX…

AAII Bull-Bear



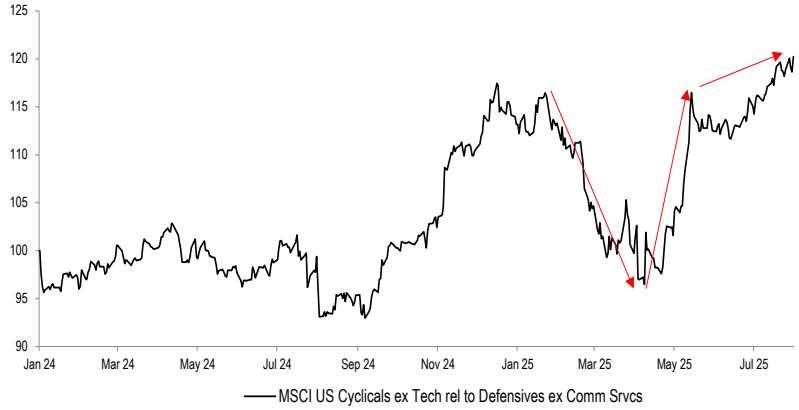
Source: Bloomberg Finance L.P.

Mag-7 relative



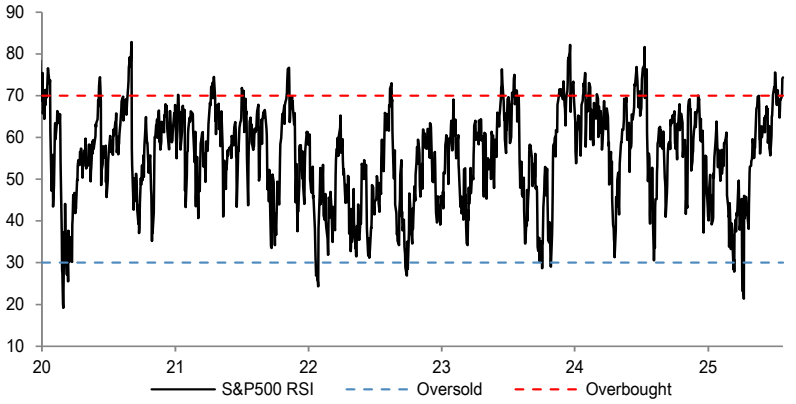
Source: Bloomberg Finance L.P.

US Cyclicals vs Defensives



Source: Datastream

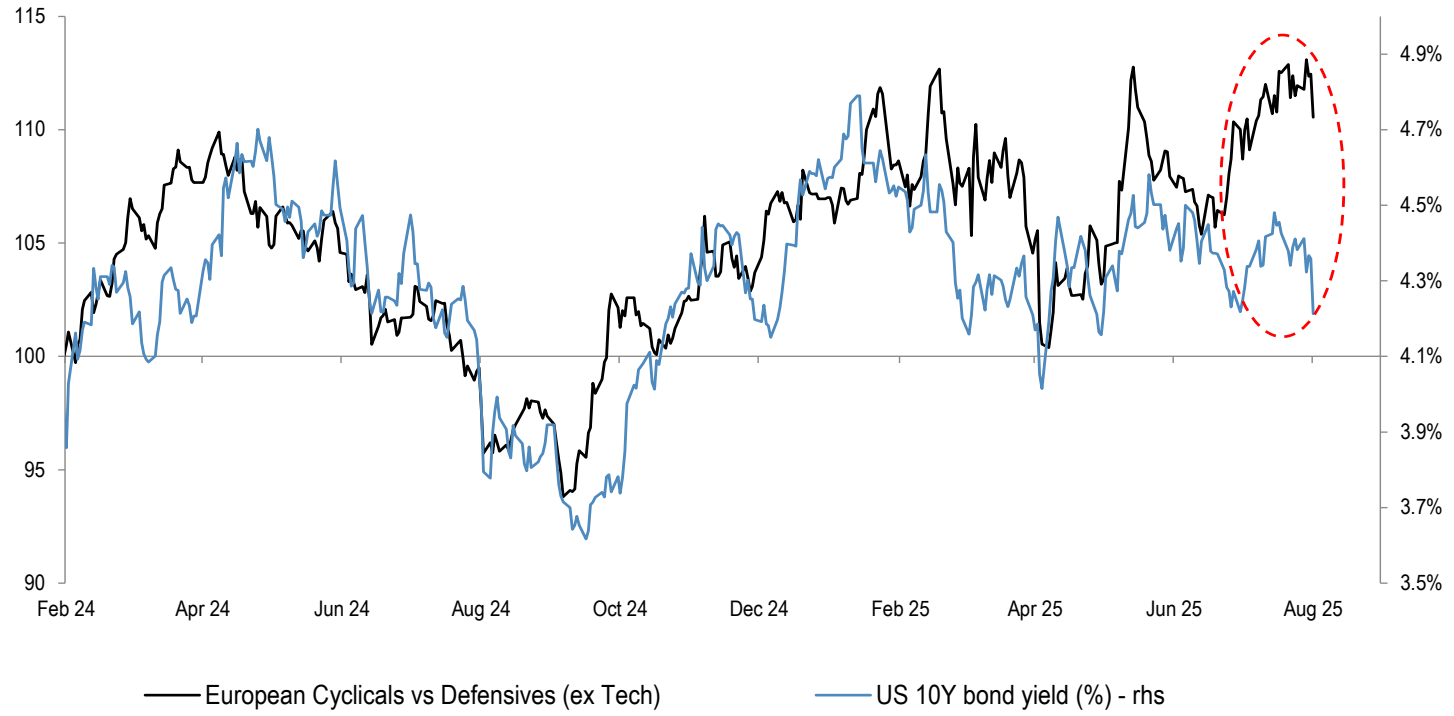
S&P 500 RSI



Source: Bloomberg Finance L.P.

…Cyclicals are trading above what bond yields would suggest…

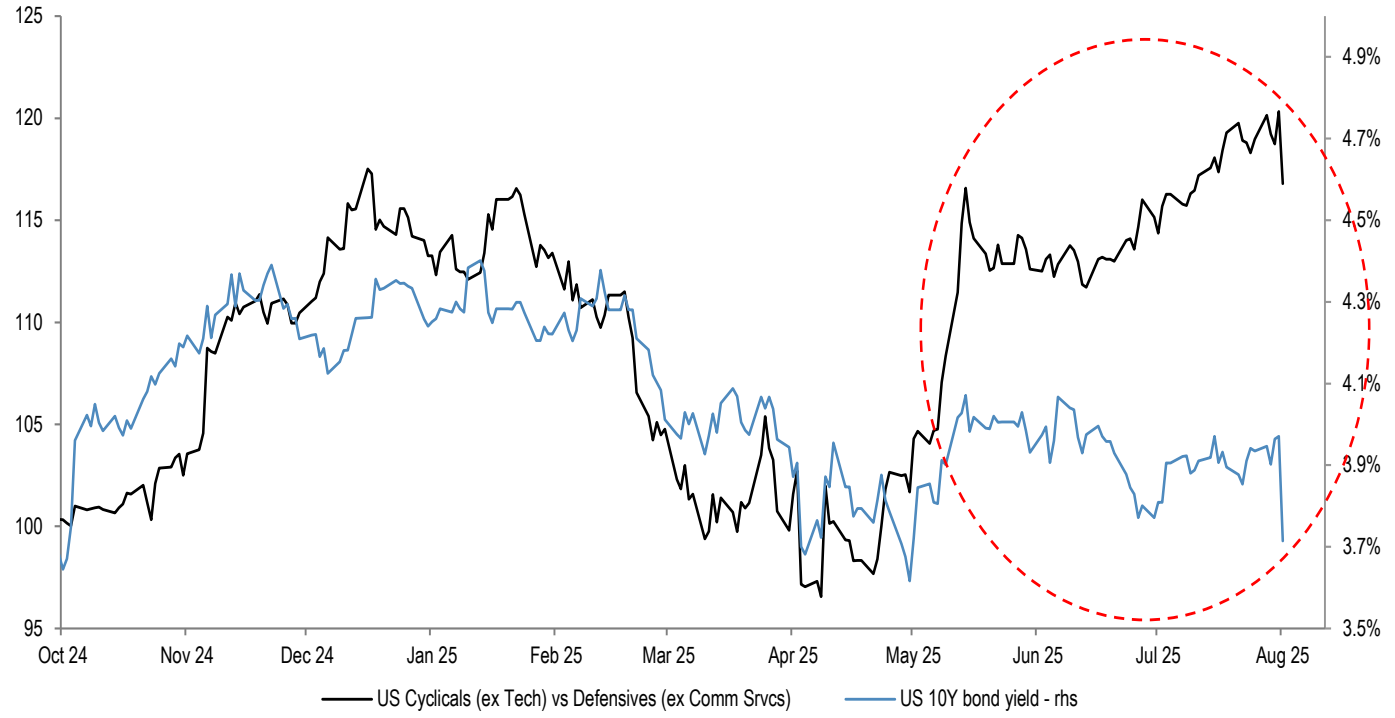
European Cyclicals ex Tech vs Defensives and bond yields



Source: Datastream

…the same picture is in the US…

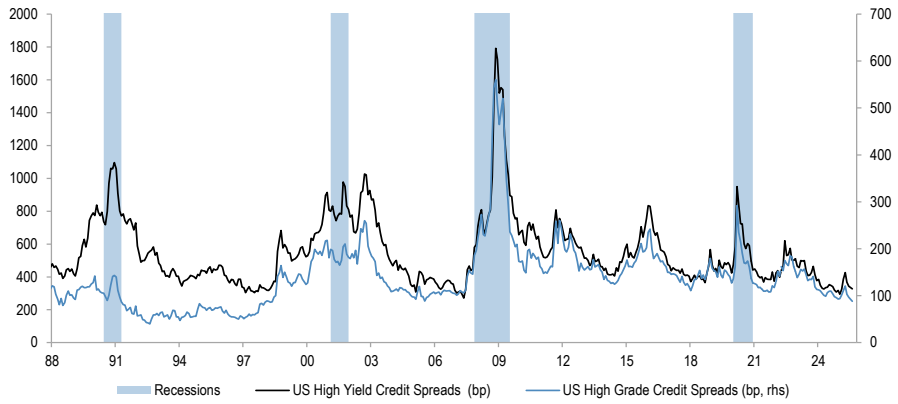
US Cyclicals vs Defensives and bond yields



Source: Datastream

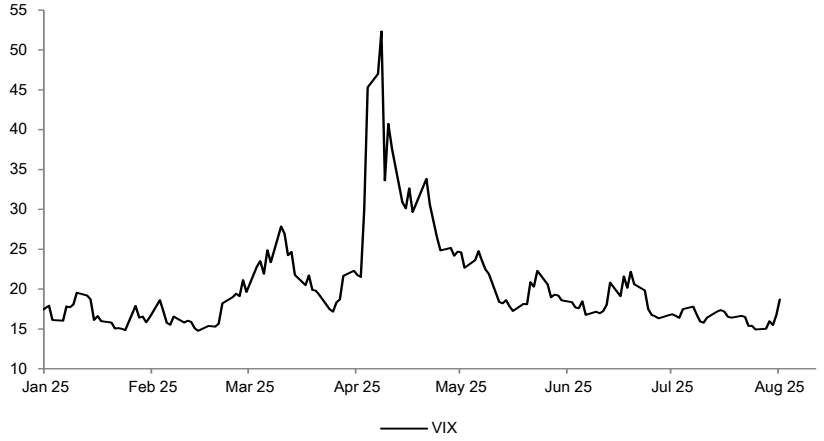
…credit spreads are tight, which could be a contrarian sign… Vix has last week touched a low for the year

US HG and HY Credit Spreads



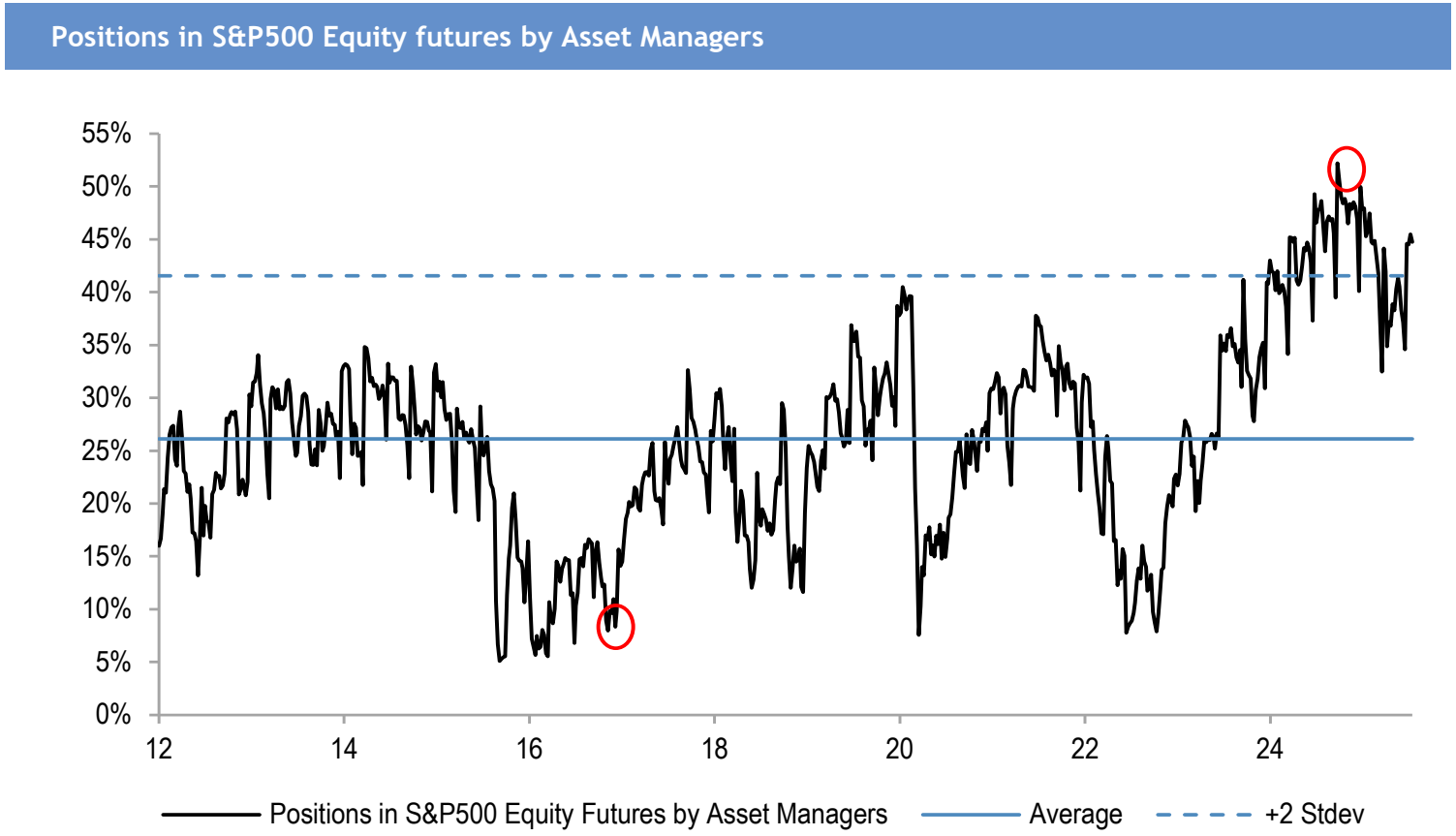
Source: J.P. Morgan

VIX ytd



Source: Bloomberg Finance L.P.

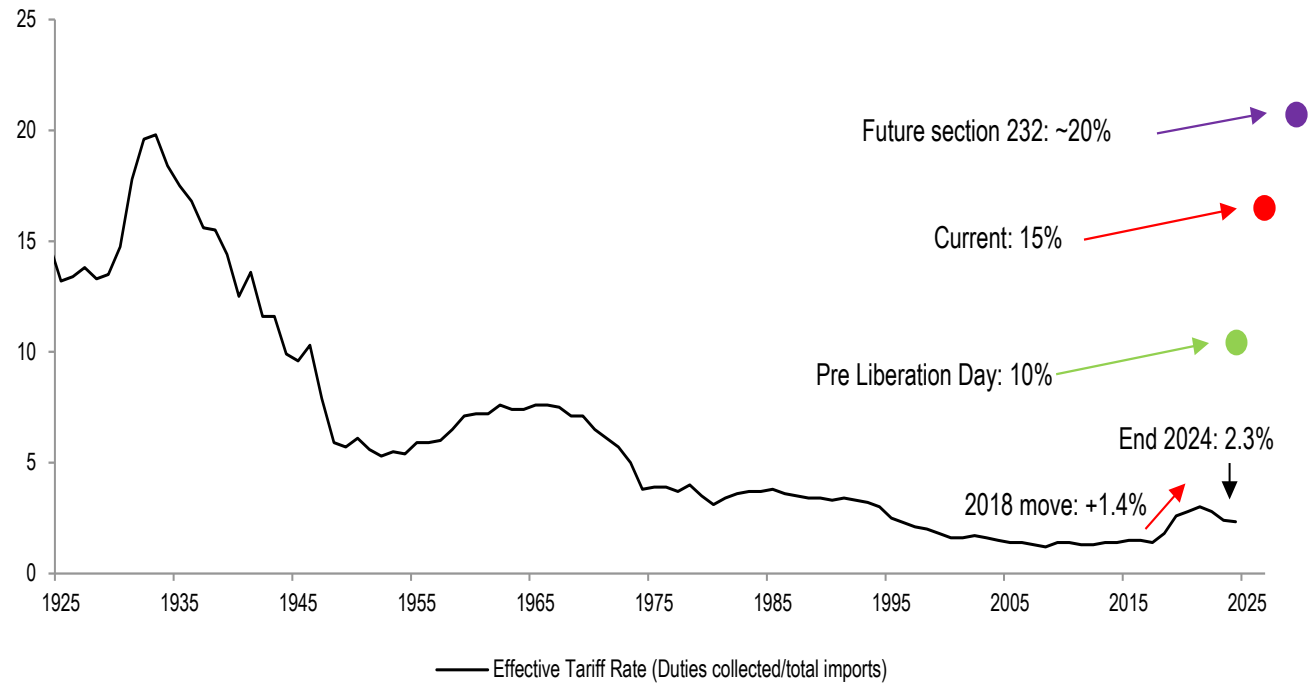
Pain trade might be getting exhausted, Investor positioning has rebounded close to highs



Source: Bloomberg Finance L.P.

Big picture, effective tariff rate might end up close to “Liberation day” levels, and market might be too optimistic regarding the impact…

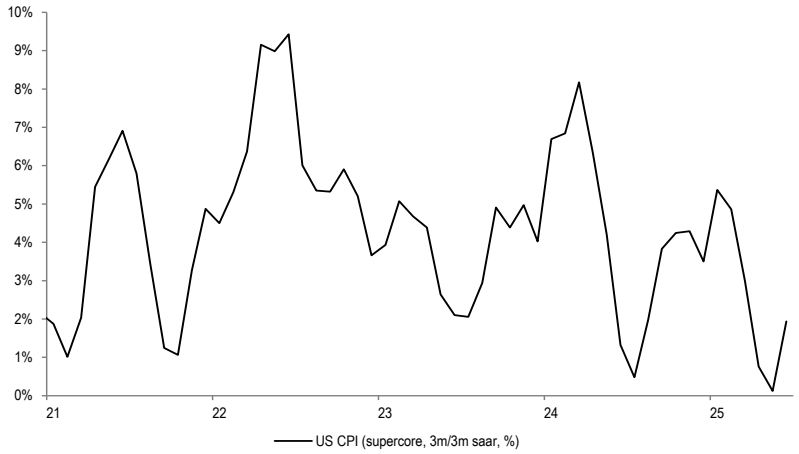
US effective tariff rate over the last 100 years



Source: JPM Economics Research

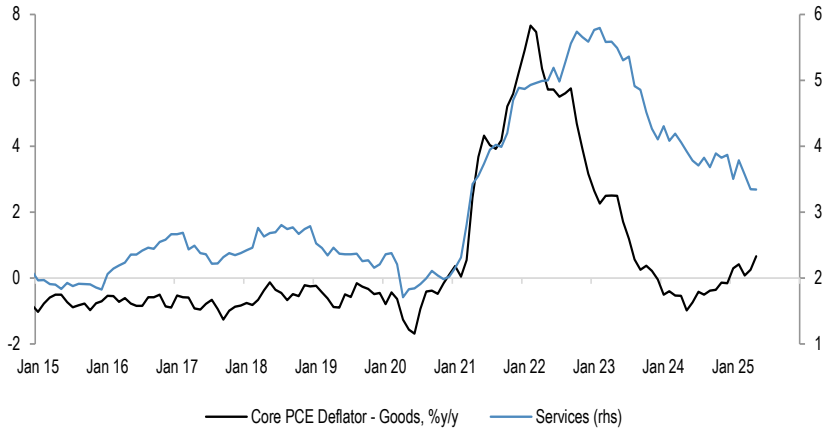
…there is evidence of tariff driven inflation starting to show, so far offset by low Brent and falling services CPI…

US Supercore CPI



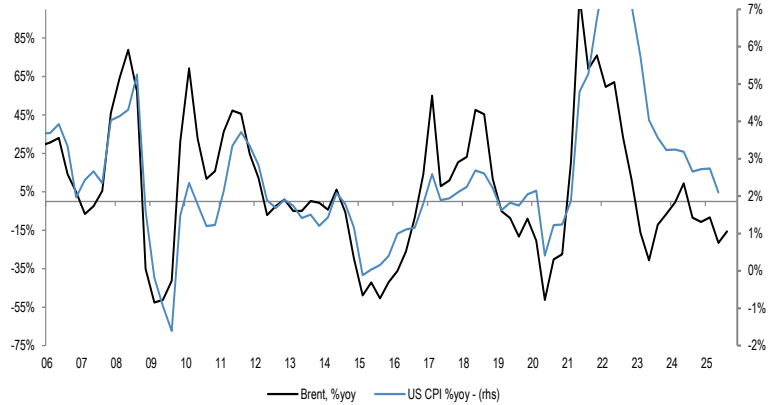
Source: Bloomberg Finance L.P.

US Core PCE Deflator - Goods and Services



Source: J.P. Morgan

Inflation vs Brent



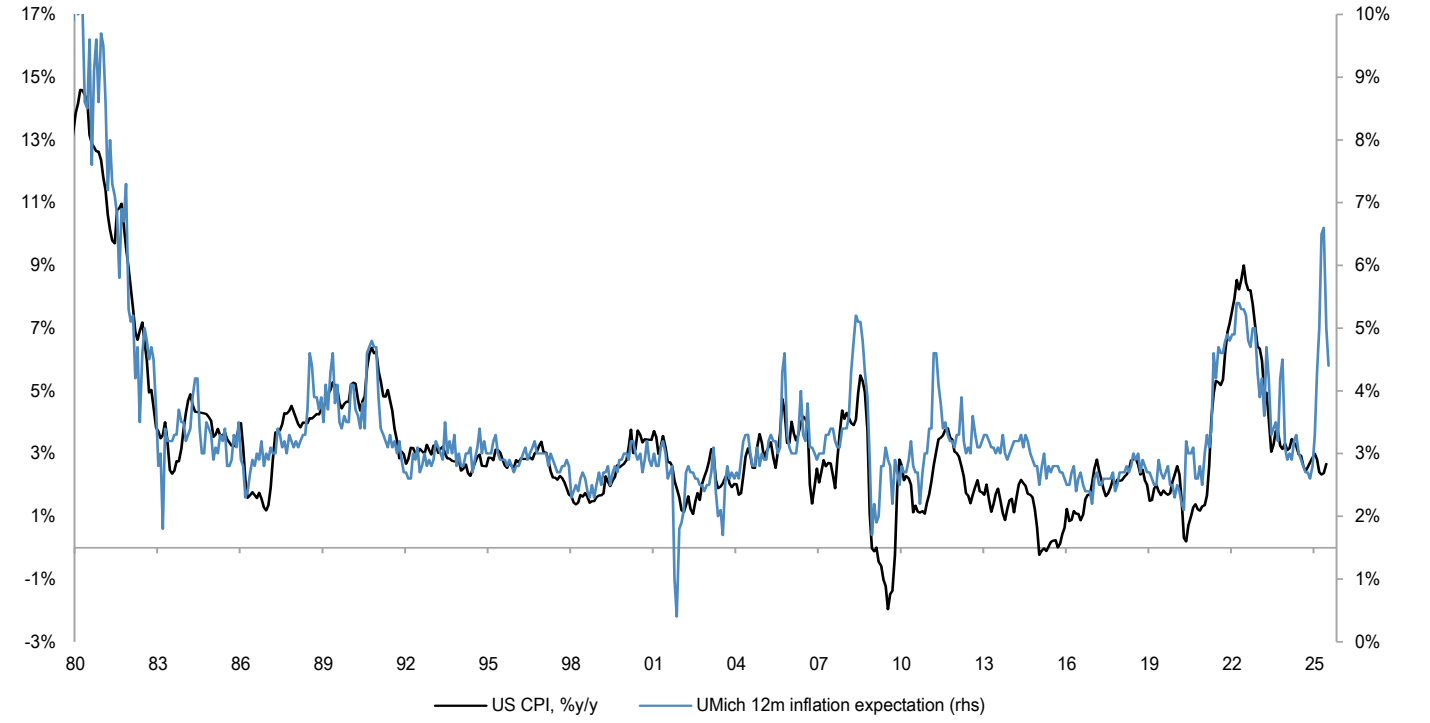
Source: Bloomberg Finance L.P., J.P. Morgan

US homebuyer affordability - % of spending on mortgage payments

Source: J.P. Morgan

…the gap with expectations could close from both sides

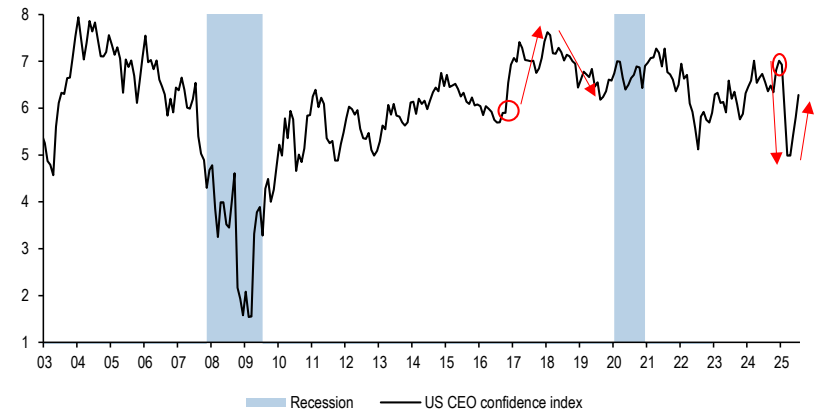
US CPI and Inflation Expectations



Source: Bloomberg Finance L.P.

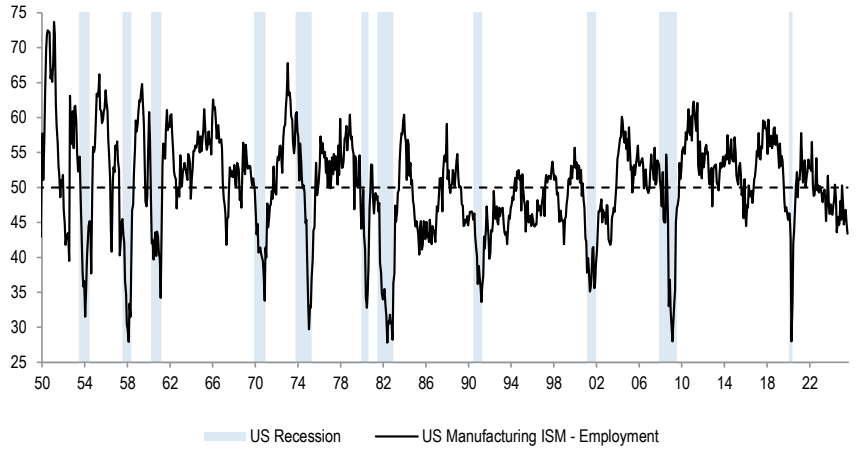
Our economists are calling for activity to decelerate…

US CEO Confidence



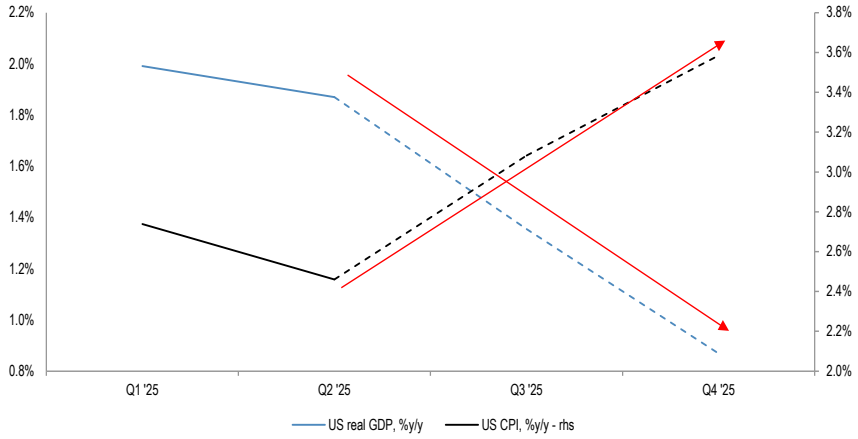
Source: Bloomberg Finance L.P.

US ISMManufacturing - Employment



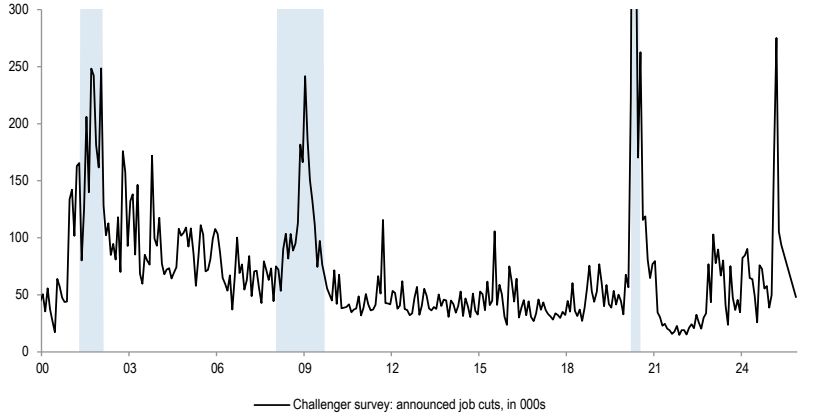
Source: J.P. Morgan

US CPI and GDP - JPM forecasts



Source: J.P. Morgan

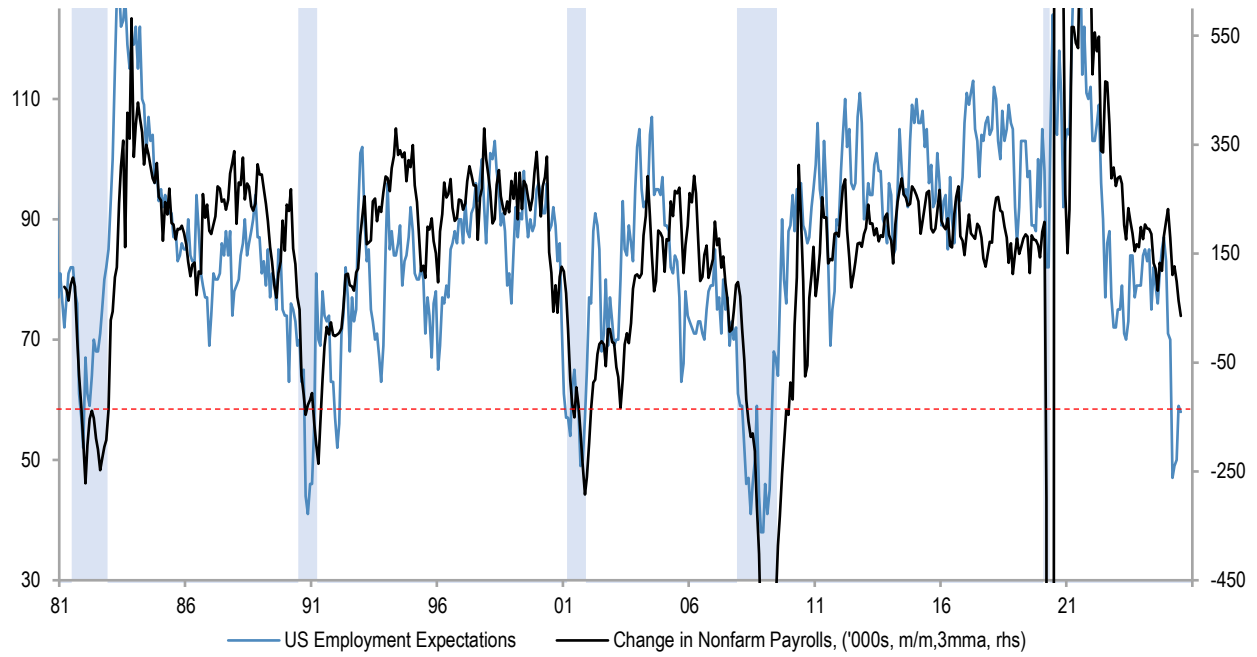
Challenger Survey: announced job cuts



Source: Bloomberg Finance L.P.

…soft data is stabilising, but the gap with hard data remains large… hard data is likely to weaken, from here…

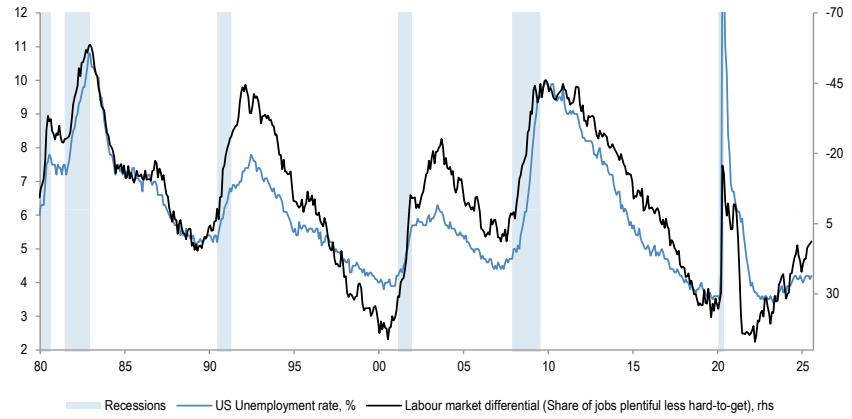
US Employment Expectations and Nonfarm Payrolls



Source: Bloomberg Finance L.P.

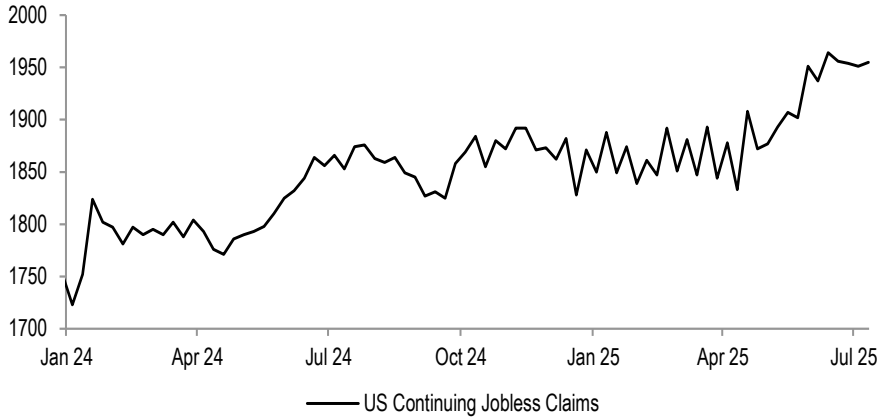
…there is likely to be a payback for frontloading of orders

US Unemployment rate and Labour market differential



Source: Bloomberg Finance L.P.

US continuing claims



Source: Bloomberg Finance L.P.

US Employment Breakdown by Indutry

	All employees - Total nonfarm (mn)	Government employees	Healthcare & social assistance employees	Govt, Healthcare & social assistance, % of total employees
Jan '23	155	22	21	28%
Jan '24	157	23	22	29%
Current	159	24	23	29%

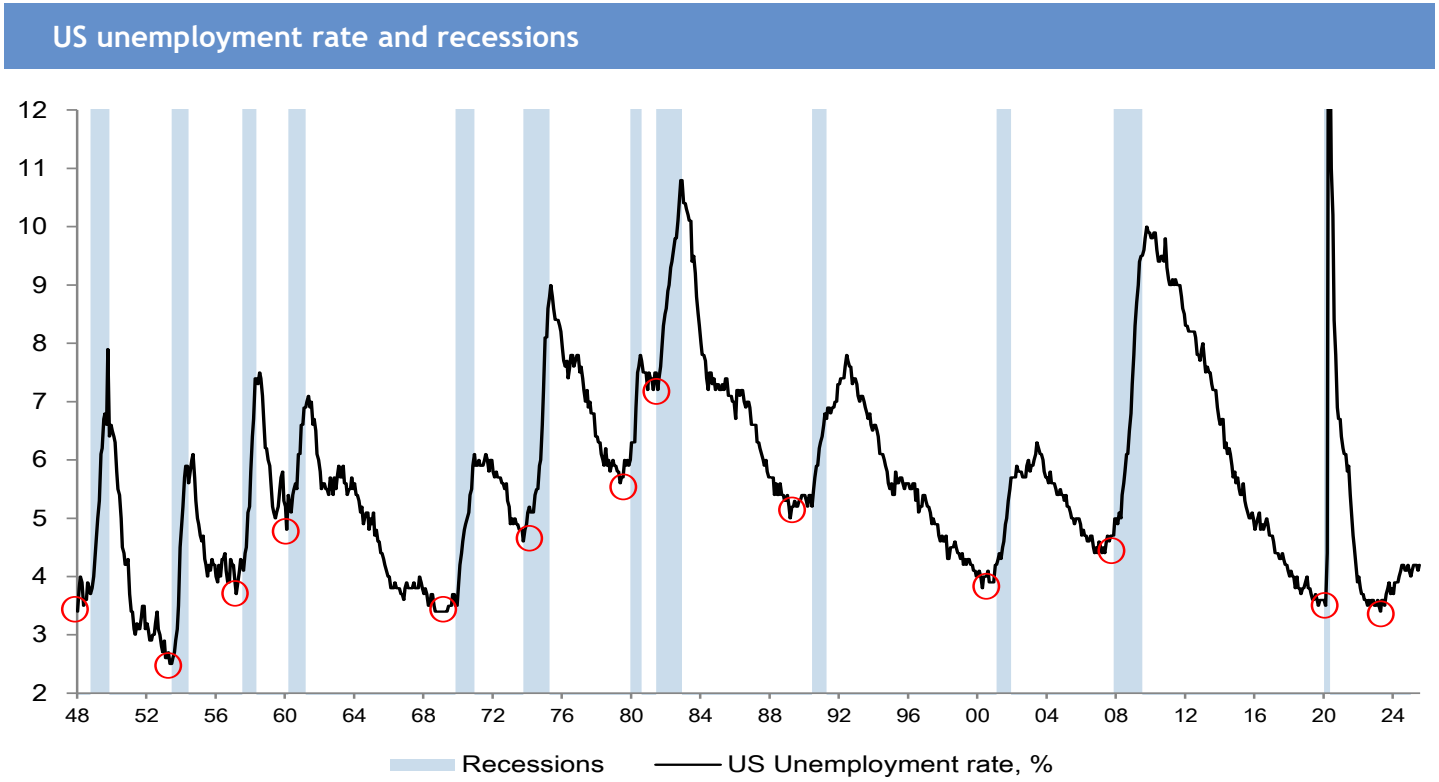
	Increase in All employees (mn)	Government employees	Healthcare & social assistance employees	Govt, Healthcare & social assistance
Change since Jan '23	4.4	1.1	2.0	
Change since Jan '24	2.2	0.5	1.0	
Contribution to increase since Jan '23		25%	44%	69%
Contribution to increase since Jan '24		21%	45%	66%

Source: Bloomberg Finance L.P.

US Imports and Taiwan Exports

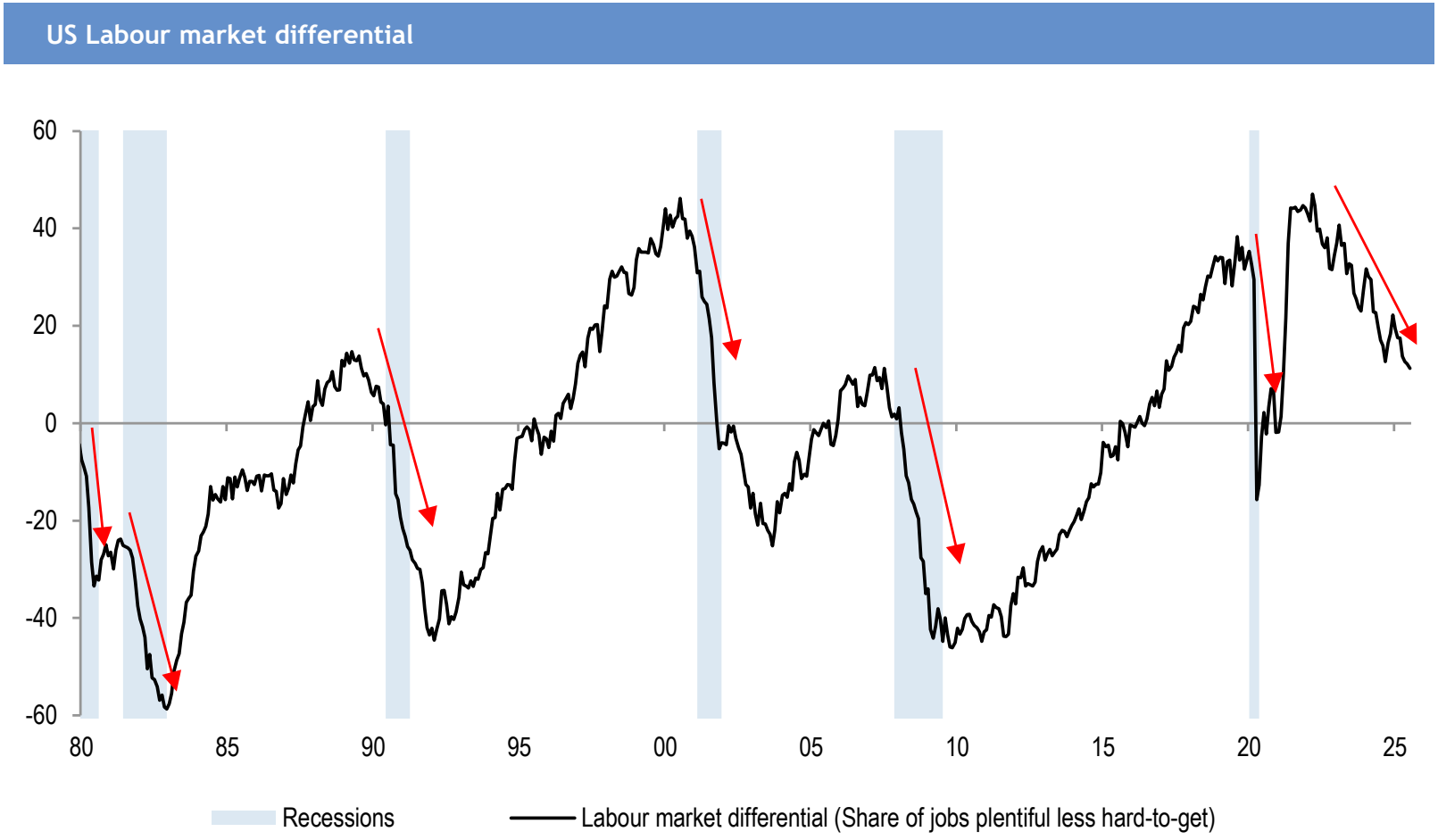
Source: J.P. Morgan China Strategy

Could the so far extremely resilient US consumer turn? The risks come from trade, immigration and fiscal adjustments…



Source: Bloomberg Finance L.P.

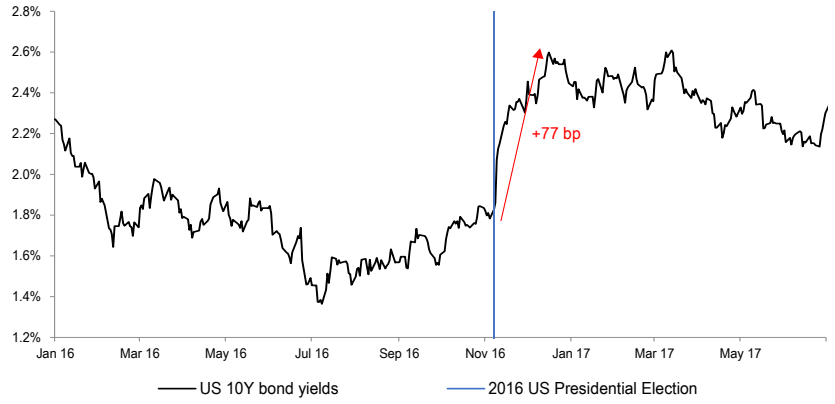
…jobs easy vs hard to get is on a downtrend



Source: Bloomberg Finance L.P.

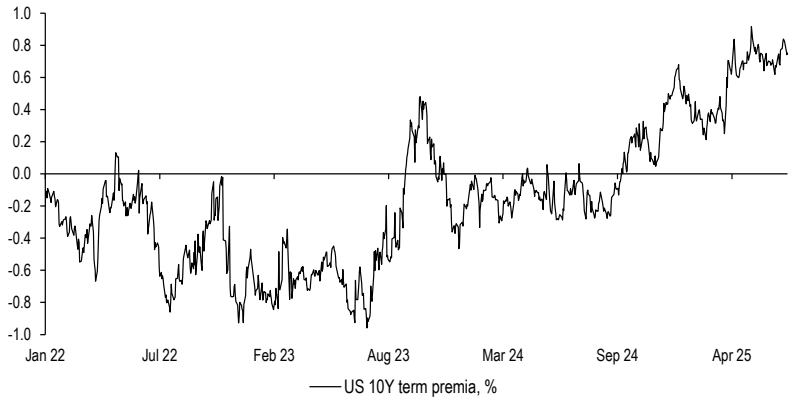
We are staying long duration… the risk here is that bond yields move up for the wrong reasons

US Bond Yields around 2016 US Elections



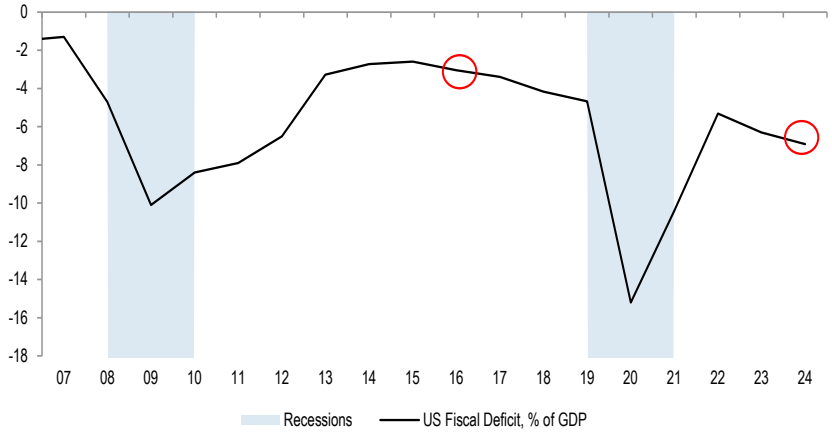
Source: Bloomberg Finance L.P.

US 10 year term premia



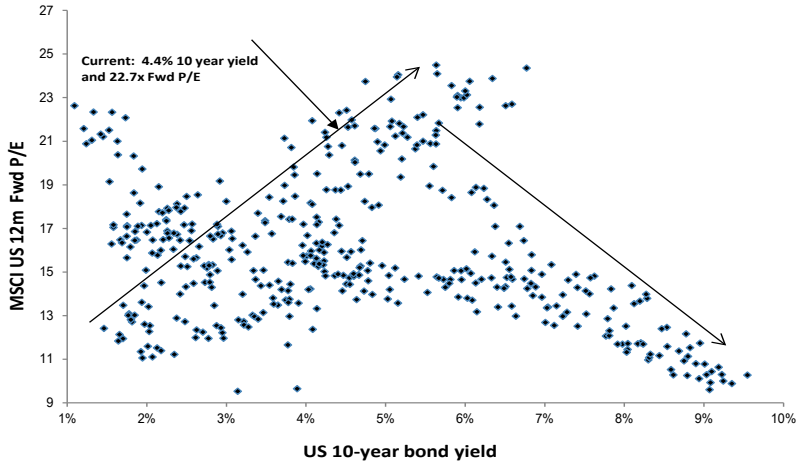
Source: J.P. Morgan

US Fiscal Deficit



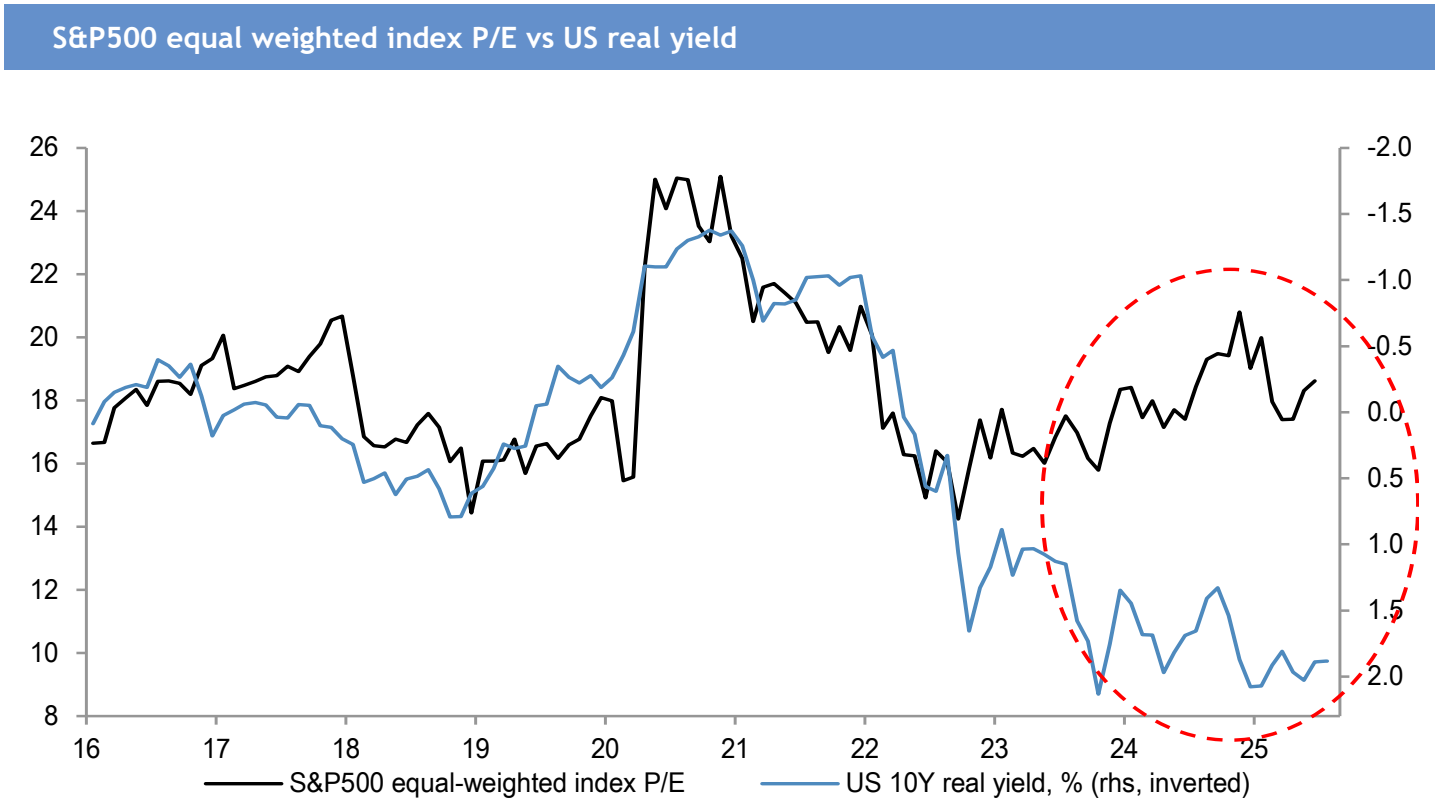
Source: Bloomberg Finance L.P.

MSCI US 12m Fwd P/E and US 10Y bond yields



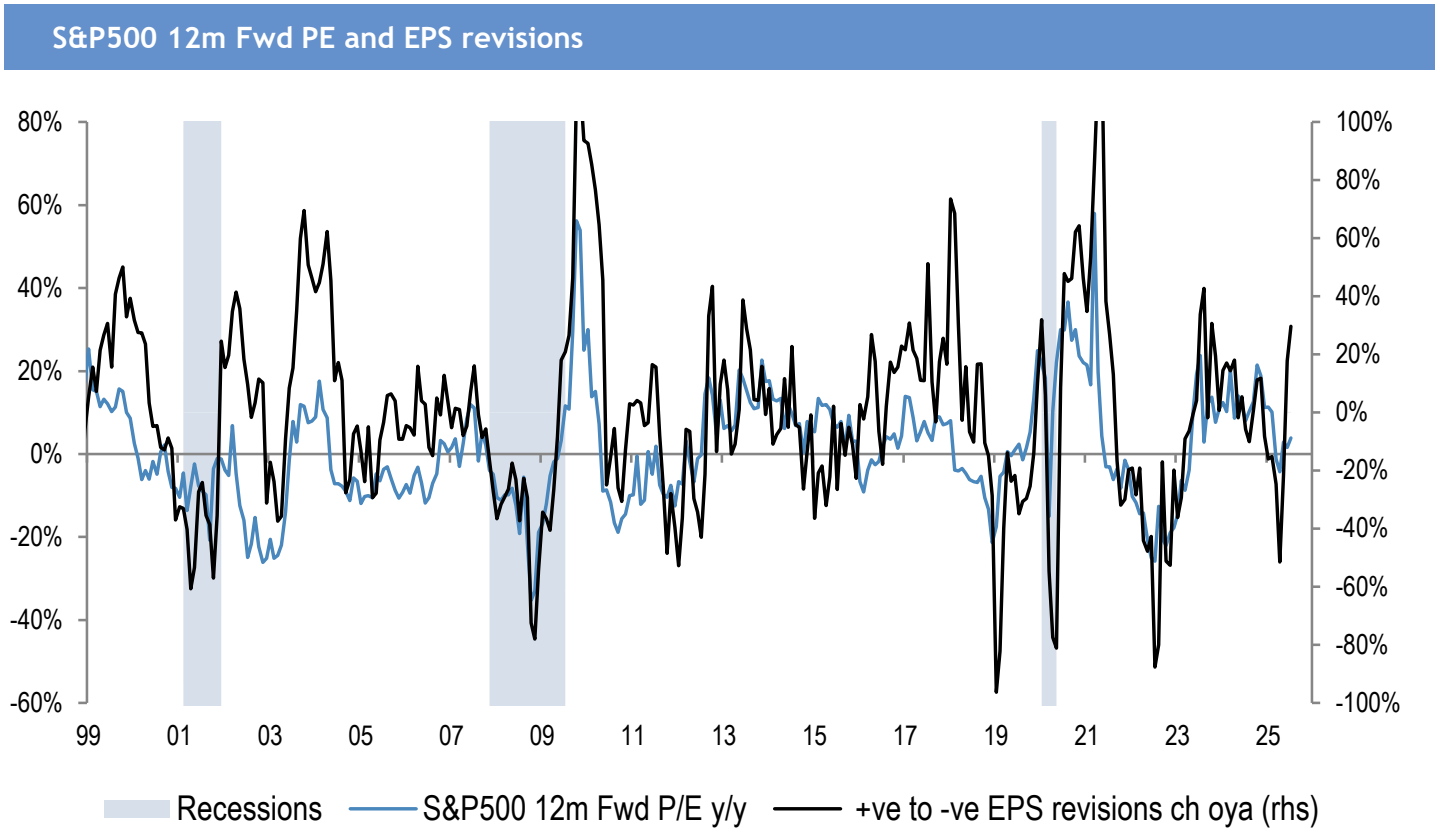
Source: Datastream, IBES

Equity market valuations do not offer a cushion, even equal weighted



Source: IBES

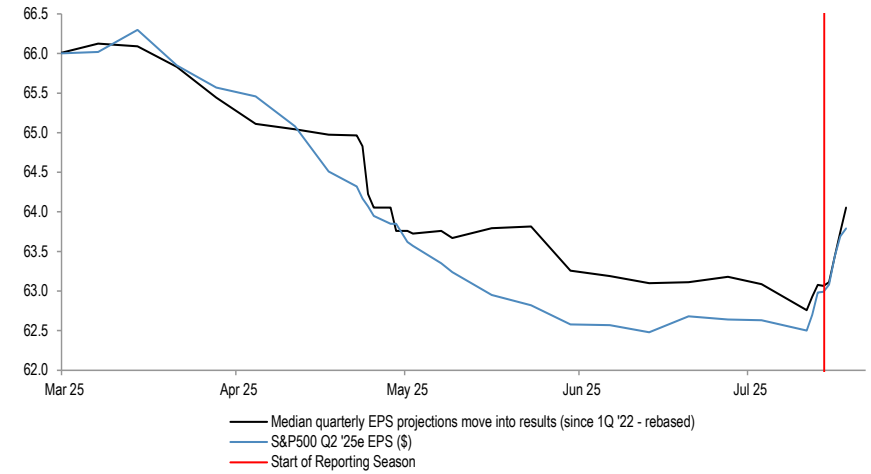
The key is EPS momentum… earnings vs P/Es correlation has historically been positive…



Source: IBES

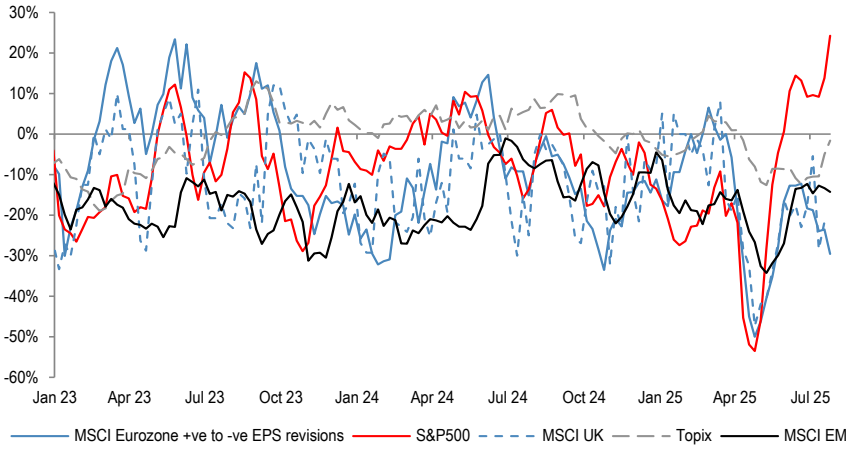
…we looked for Q2 results to beat the lowered expectations…

S&P500 Quarterly EPS projection move into results - Current vs Median



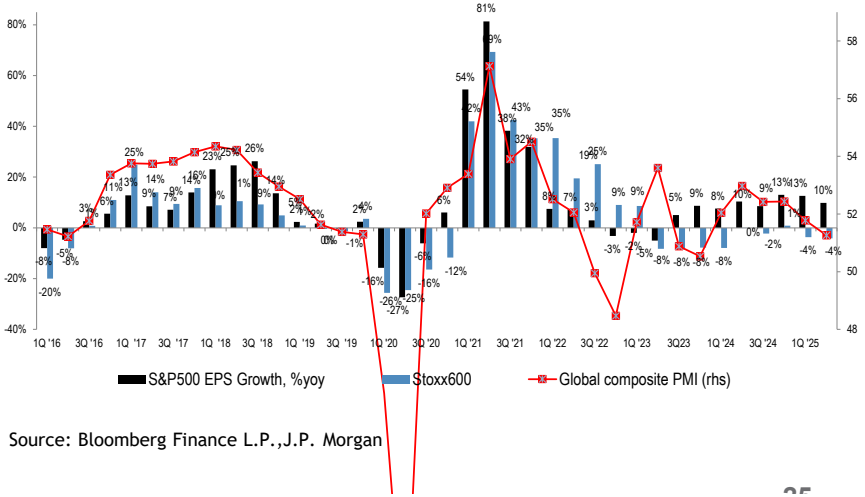
Source: Thomson Reuters; red line refers to start of the earnings season

Key regions - weekly EPS Revisions



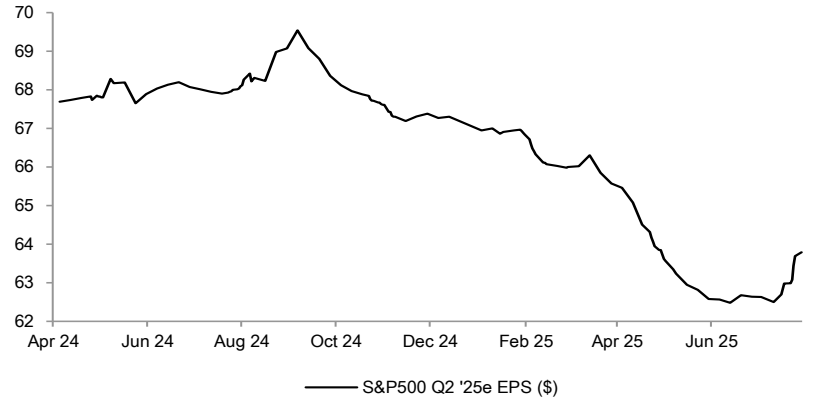
Source: IBES

S&P500 and Stoxx600 EPS Growth vs Global PMI



Source: Bloomberg Finance L.P.,J.P. Morgan

S&P500 Q2 Blended EPS



Source: Thomson Reuters

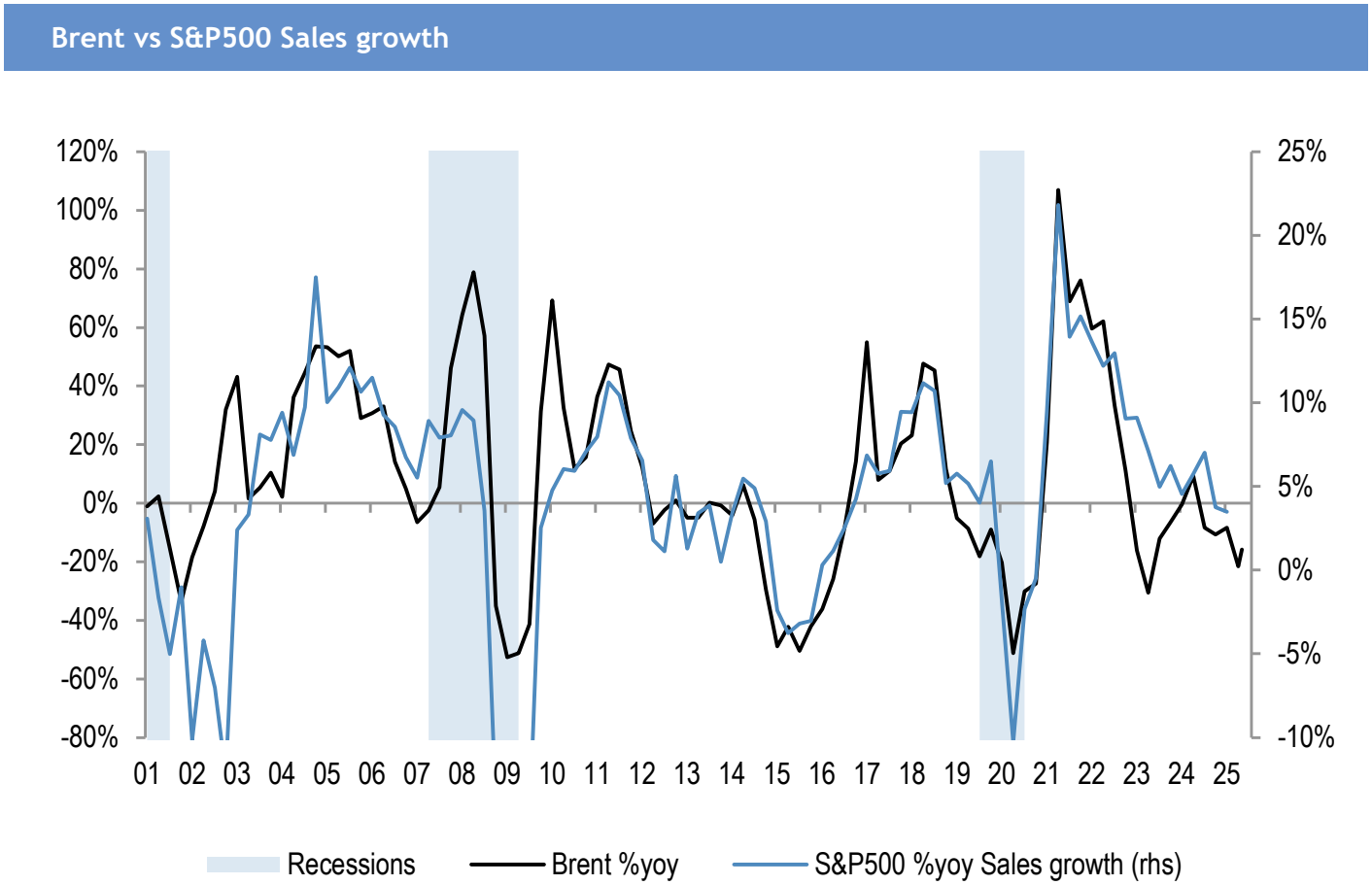
…projections into next year are looking high

MSCI US and Eurozone consensus EPS growth projections

	US		Eurozone	
	2025e	2026e	2025e	2026e
Market	**9.9%**	**14.3%**	**1.6%**	**11.7%**
Energy	-12.0%	18.7%	-12.8%	9.0%
Materials	3.9%	16.0%	4.0%	16.7%
Industrials	11.3%	15.8%	10.6%	14.0%
Discretionary	2.5%	15.8%	-7.6%	22.9%
Staples	0.3%	7.7%	1.8%	8.6%
Healthcare	14.1%	11.2%	9.1%	12.0%
Financials	6.5%	13.0%	0.9%	8.1%
IT	19.2%	19.2%	8.4%	17.1%
Telecoms	17.3%	9.6%	-1.3%	15.5%
Utilities	4.4%	8.6%	0.8%	1.1%
Real Estate	-0.8%	14.5%	13.5%	2.8%
Median	**7.6%**	**11.3%**	**5.1%**	**11.5%**
Median ex-commo	**8.0%**	**11.1%**	**5.3%**	**11.0%**
Median - Cyclicals	**7.9%**	**12.4%**	**3.7%**	**15.9%**
Median - Defensives	**5.7%**	**8.2%**	**5.8%**	**9.4%**

Source: IBES

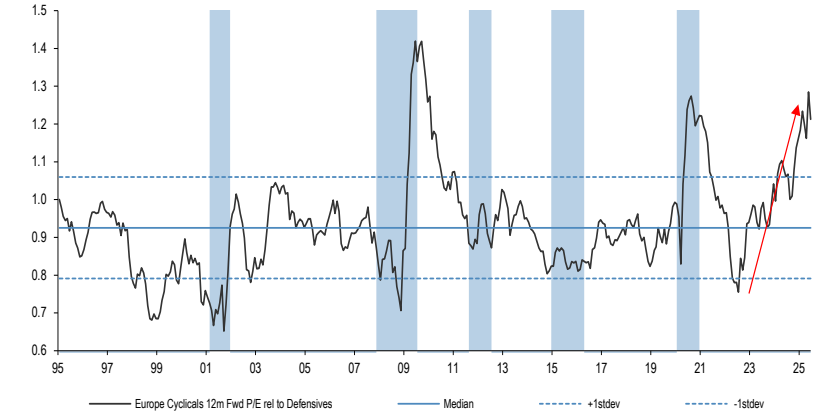
Weakening pricing and slowing top line look set to challenge consensus expectations of earnings acceleration



Source: Bloomberg Finance L.P., S&P Global

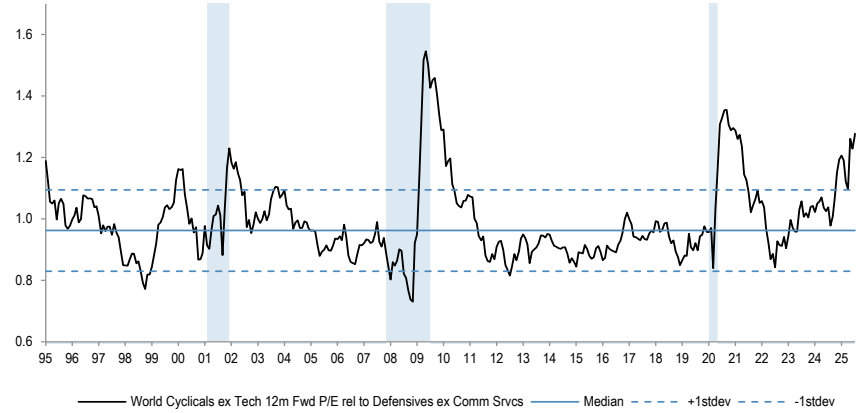
Cyclical valuations remain outright expensive vs Defensives…

European Cyclicals vs Defensives 12m Fwd. P/E relative



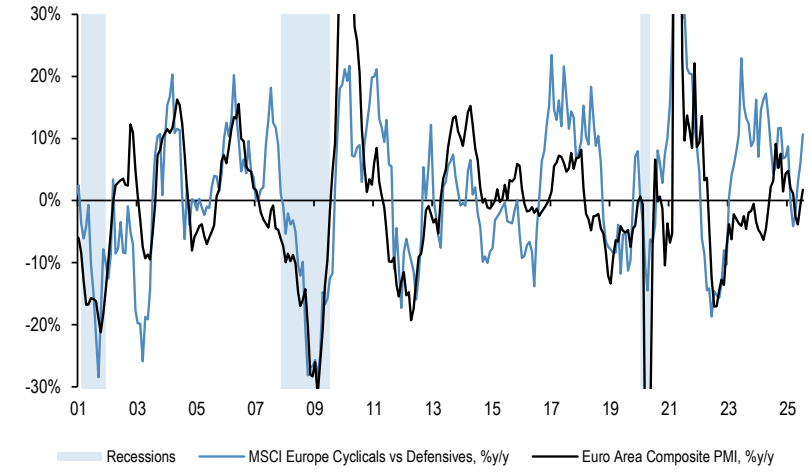
Source: IBES

World Cyclicals ex Tech vs Defensives ex Comm Srvcs 12m Fwd. P/E relative



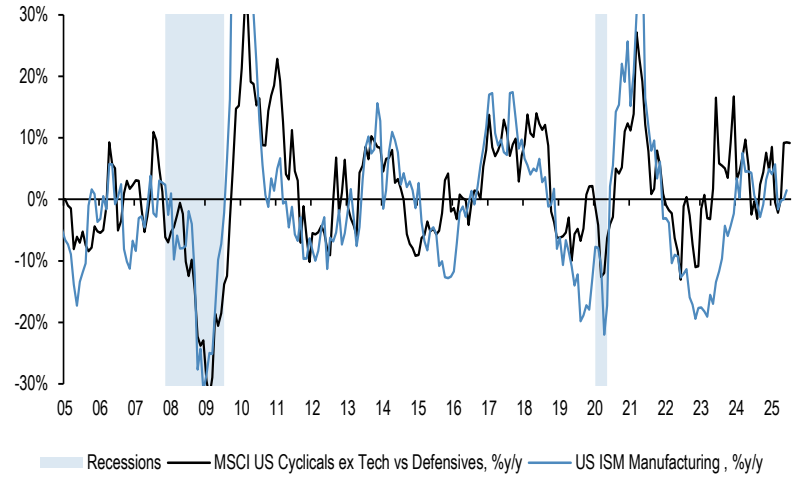
Source: IBES

European Cyclicals vs Defensives and Composite PMI



Source: Datastream, Bloomberg Finance L.P.

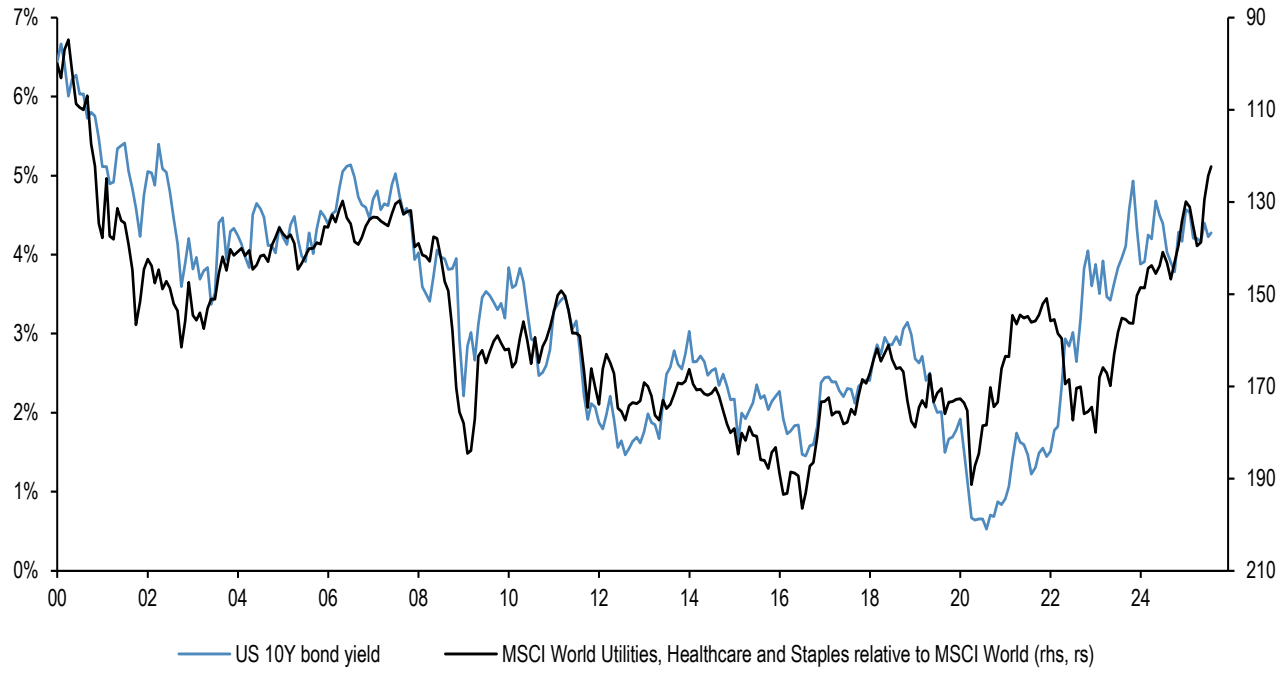
US Cylical vs Defensives and ISM Manufacturing



Source: Datastream, Bloomberg Finance L.P.

…Defensives perform better when bond yields fall... even if yields were to spike for the wrong reasons, Defensives might still end up low beta

MSCI World Defensives relative and US 10Y bond yield



Source: Datastream

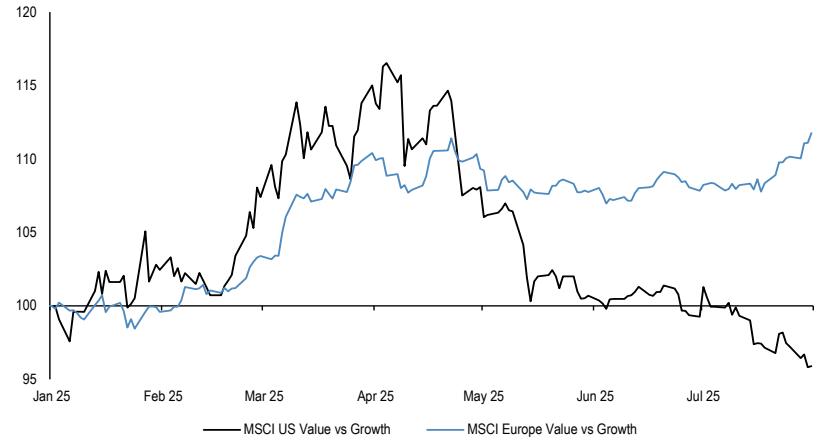
We advised last summer to cut Growth style OW… retail positioning is greater than at the 2000 peak…

US household ownership of stocks, % of total assets

Source: J.P. Morgan

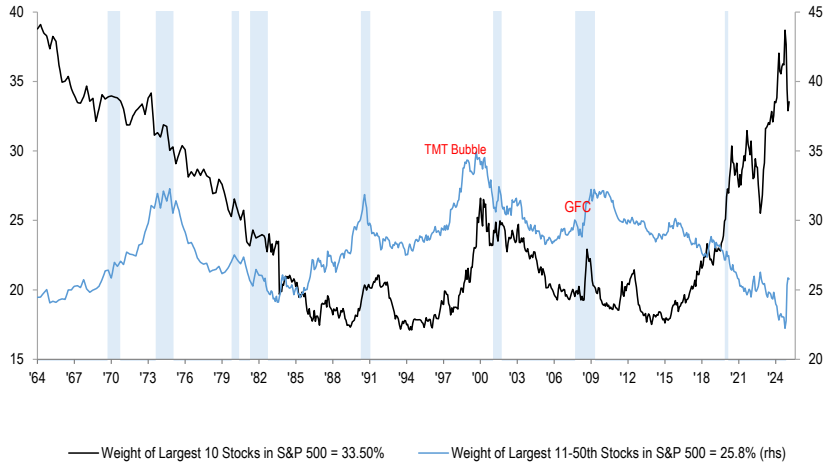
…Value is performing better in Europe so far this year…

MSCI Europe and US Value vs Growth ytd



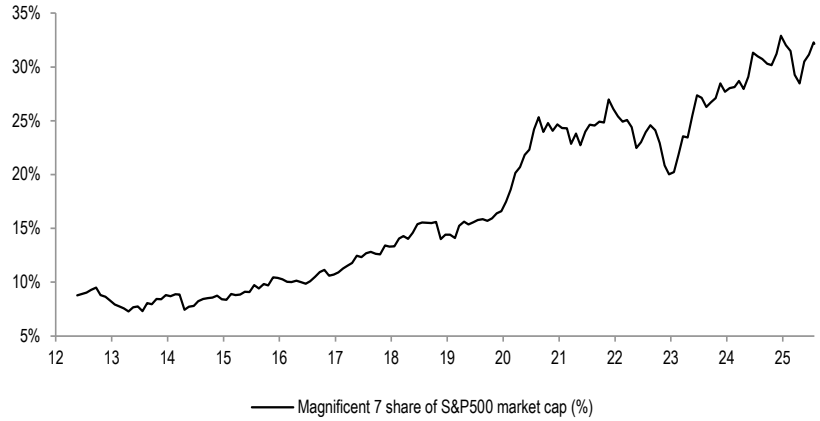
Source: Datastream

Weight of Top 10 and Top 11-50 stocks in S&P500



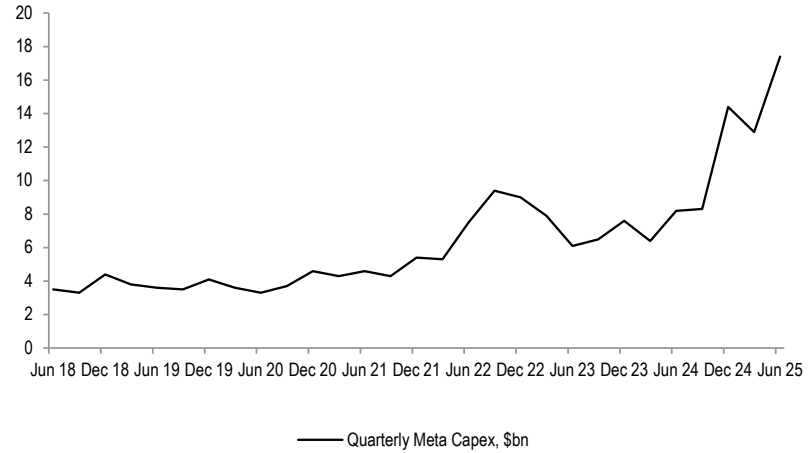
Source: J.P. Morgan US Strategy

Magnificent 7 share of S&P500 market cap



Source: Bloomberg Finance L.P.

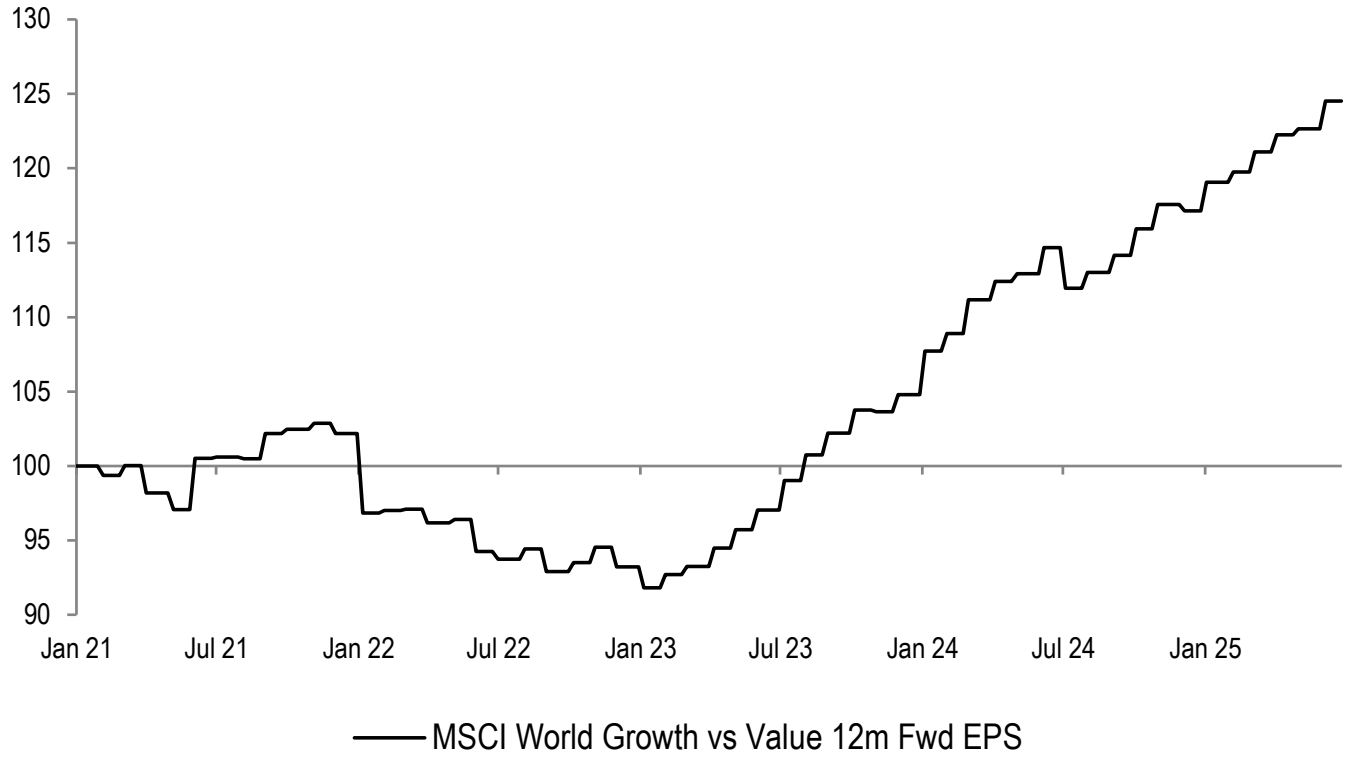
Meta Capex



Source: J.P. Morgan US Technology Research, * Jun '25 is forecast

…we see a different earnings setup to 2000, though…

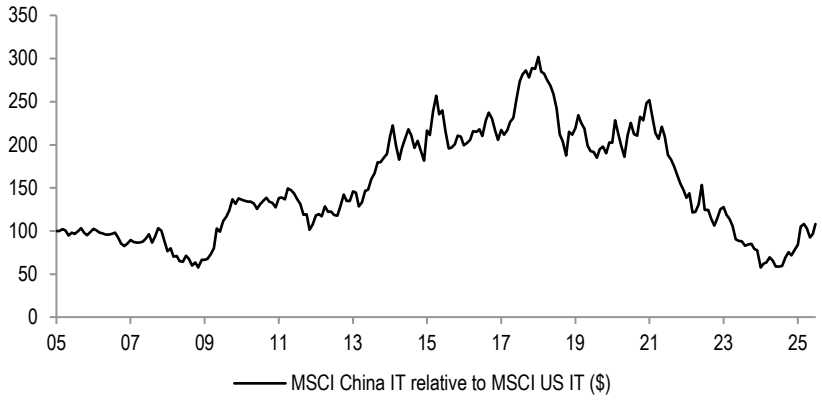
MSCI World Growth vs Value 12m Fwd. EPS



Source: IBES

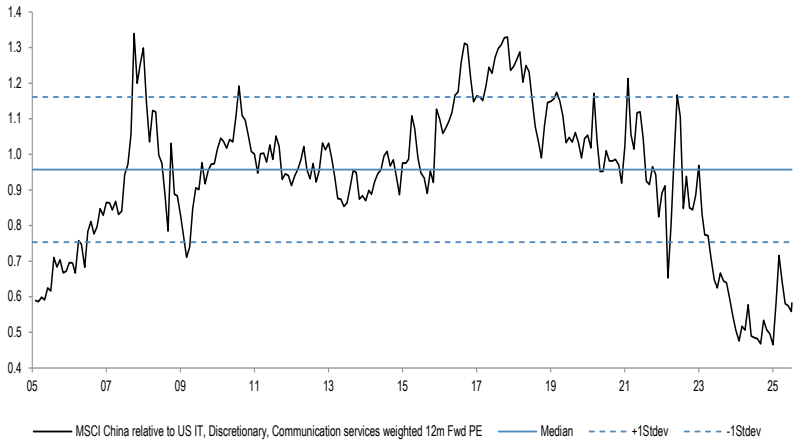
…we believe China Tech remains attractive

MSCI China IT price relative to MSCI US IT



Source: Datastream

MSCI China vs US - IT, Discretionary and Com Services 12m Fwd. PE



Source: IBES

Some of the rotation trades are working this year, but others are still left behind

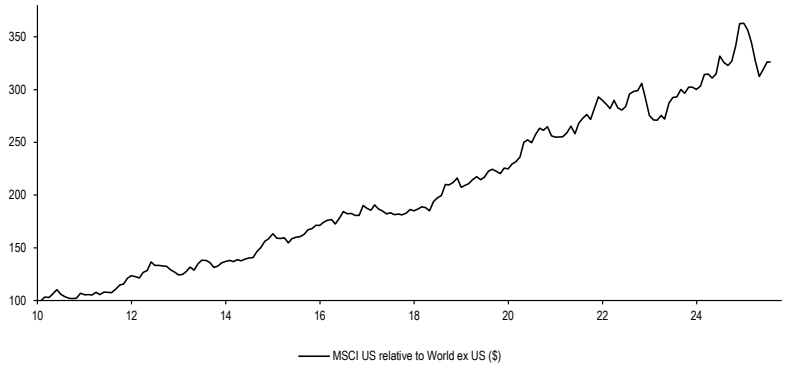
2024 and YTD performance

	Performance	
	2024	YTD
Eurozone vs US ($)	-23.2%	15.5%
DM World ex US vs US ($)	-21.4%	7.6%
World AC ex US vs US ($)	-20.5%	7.6%
EM vs DM ($)	-11.9%	5.7%
EM ex China vs DM ($)	-15.7%	3.7%
Small vs Large		
US	-13.0%	-6.8%
Japan	-4.7%	5.9%
Eurozone	-8.9%	5.3%
UK	-1.6%	-2.7%
World	-9.8%	-2.8%
World Value vs Growth	-16.4%	-1.1%
SPW vs SPX	-12.4%	-3.0%
Europe Energy relative	-16.1%	-2.8%
Europe Materials relative	-10.9%	-7.7%

Source: Datastream

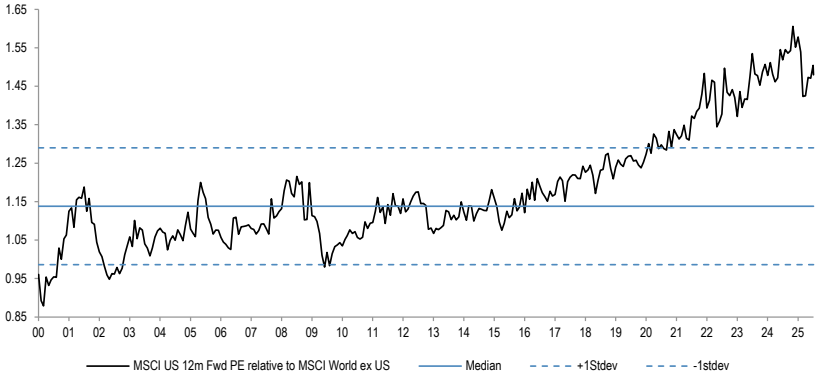
Where to for US exceptionalism? The starting point is extreme…

MSCI US price relative to World ex US



Source: Datastream

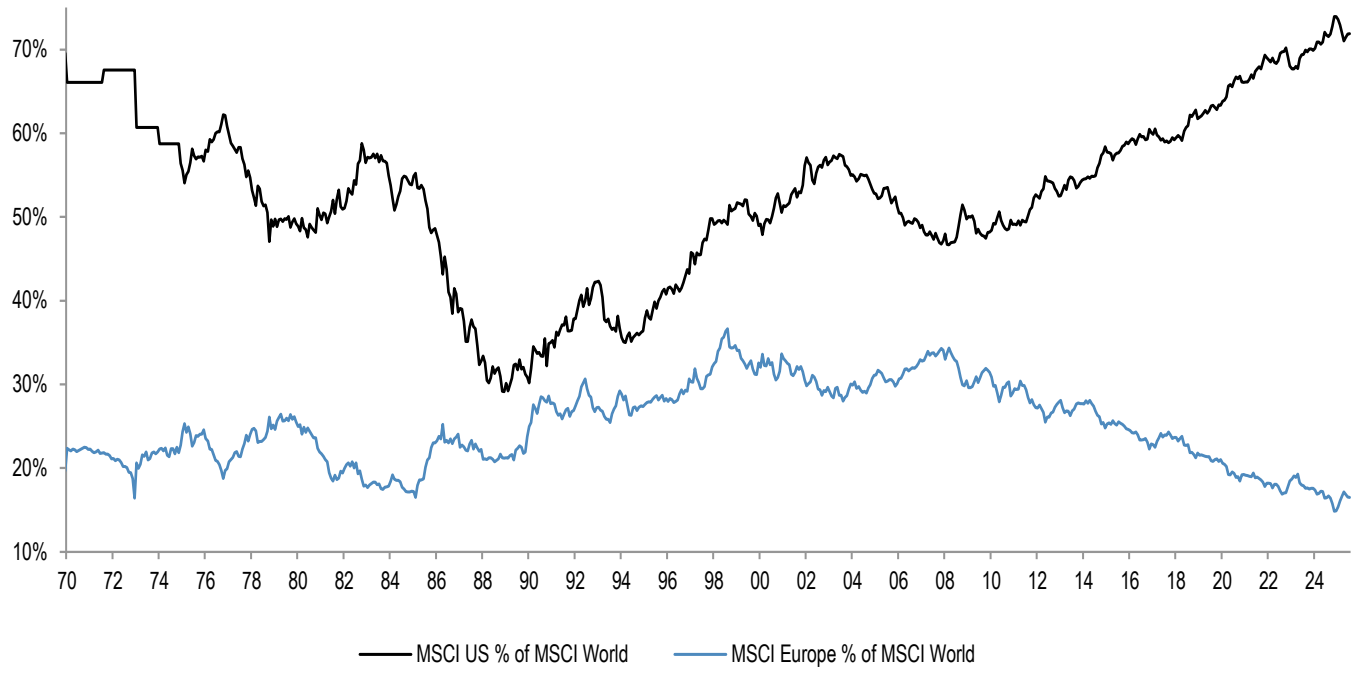
MSCI US 12m Fwd. P/E relative to World ex US



Source: IBES

…US market share remains very high

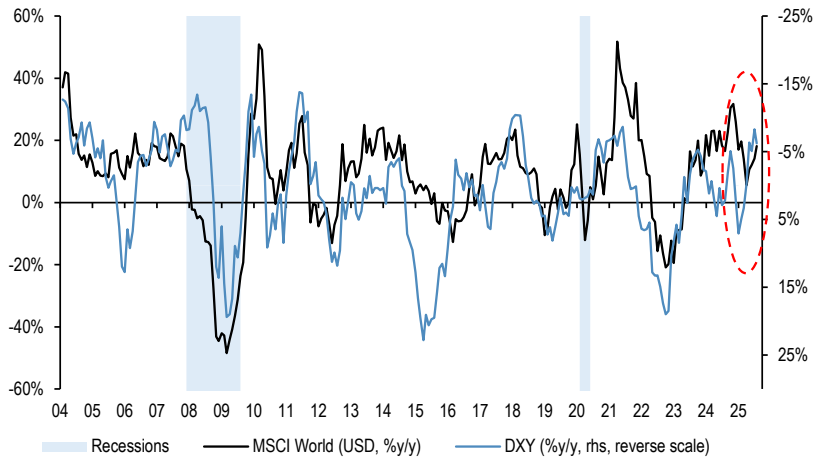
MSCI US and Europe share of MSCI World



Source: Datastream

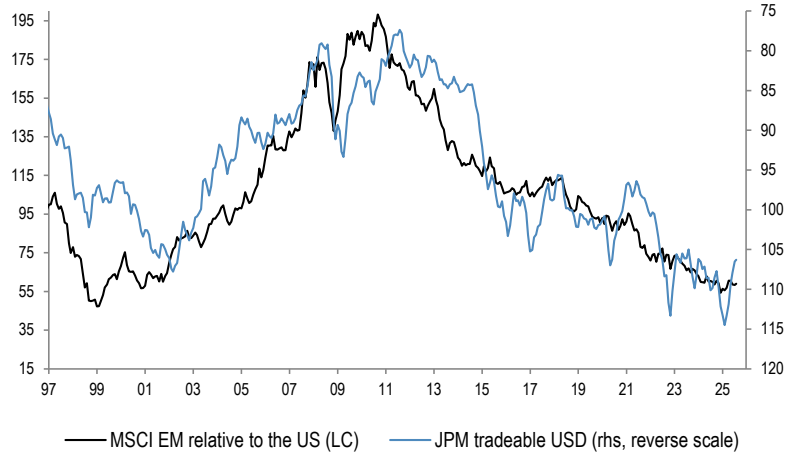
For broader EM call, beyond China Tech, the question is where USD goes…

MSCI World performance vs DXY



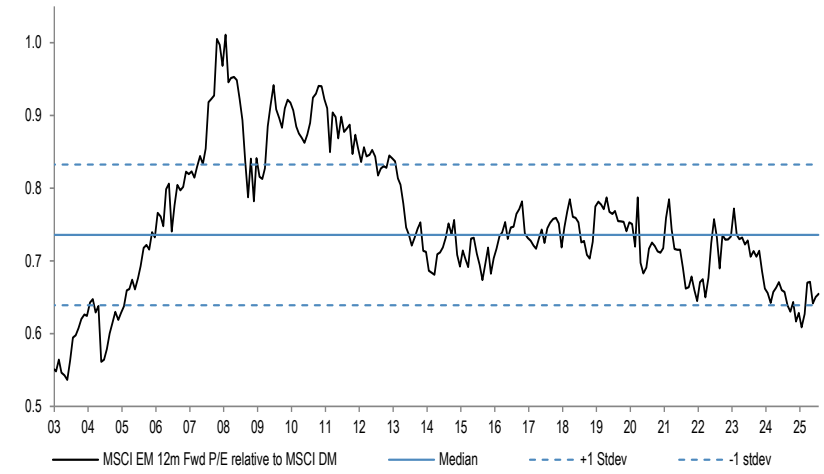
Source: Bloomberg Finance L.P.

MSCI EM vs DM and USD



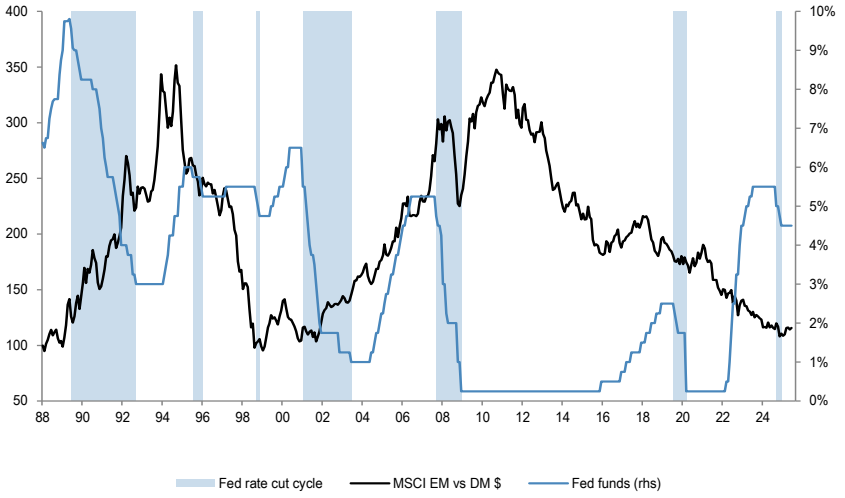
Source: Datastream

MSCI EM 12m Fwd. P/E relative to DM



Source: IBES

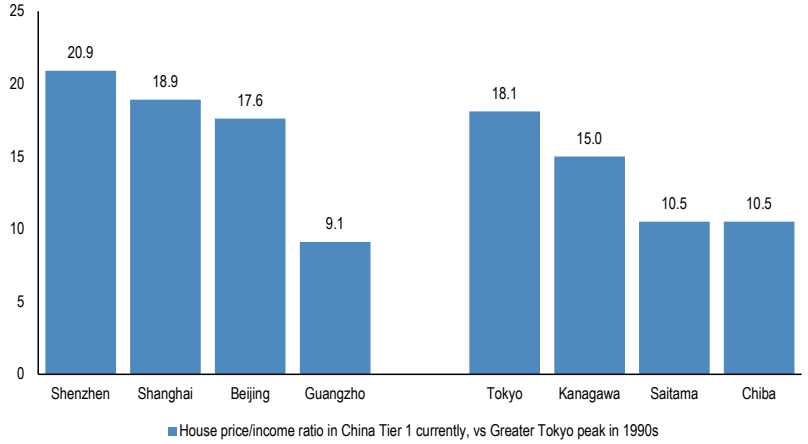
MSCI EM vs DM and Fed Funds rate



Source: Datastream

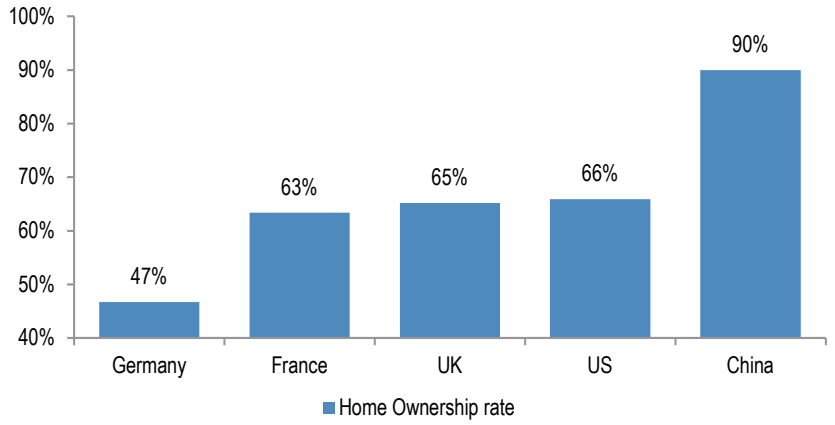
…could China activity surprise?

House price to income ratio in China Tier 1 cities, vs Japan in 1990s



Source: J.P. Morgan China Strategy

Home ownership rate



Source: Various Websites

China land sales

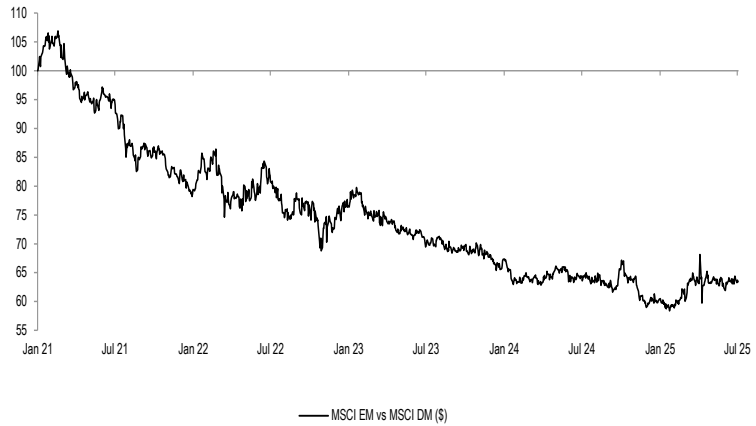
Source: J.P. Morgan China Economists

China 10Y bond yield

Source: Bloomberg Finance L.P.

EM have lagged for four years, this could be an opportunity; 19 out of 21 EM central banks JPM tracks are projected to cut rates in 2H

MSCI EM vs DM



Source: Datastream

MSCI EM ex China ($) vs DM ($) vs EM FX

Source: Datastream, Bloomberg Finance L.P.

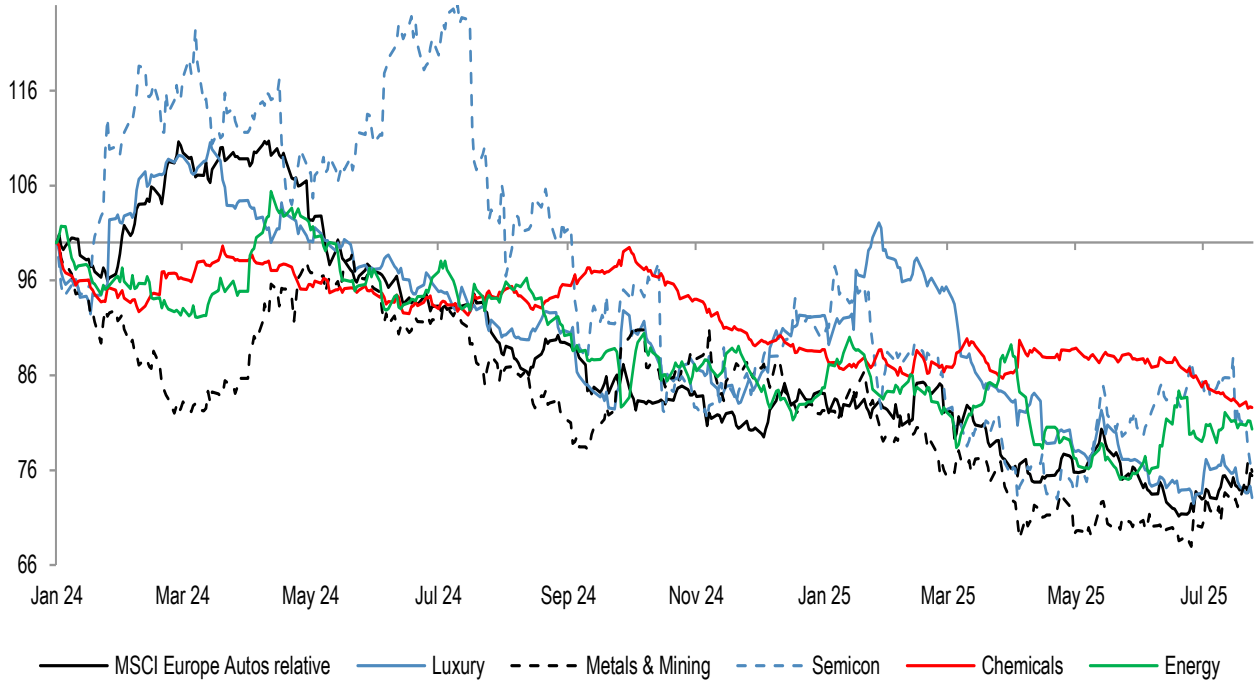
EM Countries Central Bank forecasts

Country	Official interest rate	Current	Last change (bp)	Forecast next change (bp)
Brazil	SELIC O/N	15.00	18 Jun 25 (+25bp)	Dec 25 (-25bp)
Mexico	Repo rate	8.00	27 Jun 25 (-50bp)	7 Aug 25 (-25bp)
Chile	Disc rate	5.00	17 Dec 24 (-25bp)	29 Jul 25 (-25bp)
Colombia	Repo rate	9.25	30 Apr 25 (-25bp)	30 Sep 25 (-25bp)
Peru	Reference	4.50	8 May 25 (-25bp)	9 Sep 25 (-25bp)
Uruguay	Reference	9.25	28 Dec 12 (+25bp)	3Q 14 (-25bp)
Czech Republic	2-wk repo	3.50	7 May 25 (-25bp)	On hold
Hungary	2-wk dep	6.50	24 Sep 24 (-25bp)	Sep 25 (-25bp)
Poland	7-day interv	5.00	2 Jul 25 (-25bp)	Nov 25 (-25bp)
Romania	Base	6.50	7 Aug 24 (-25bp)	May 26 (-25bp)
Russia	Key pol rate	20.00	6 Jun 25 (-100bp)	Jul 25 (-200bp)
South Africa	Repo rate	7.25	29 May 25 (-25bp)	18 Sep 25 (-25bp)
Turkey	Eff. fund. Rate	46.00	17 Apr 25 (+250bp)	24 Jul 25 (-250bp)
China	7-day rev repo	1.40	7 May 25 (-10bp)	4Q 25 (-10bp)
Korea	Base rate	2.50	29 May 25 (-25bp)	Aug 25 (-25bp)
Indonesia	BI rate	5.25	16 Jul 25 (-25bp)	Sep 25 (-25bp)
India	Rev Repo	5.50	6 Jun 25 (-50bp)	On hold
Malaysia	O/N rate	2.75	9 Jul 25 (-25bp)	Nov 25 (-25bp)
Philippines	Rev repo	5.25	19 Jun 25 (-25bp)	Aug 25 (-25bp)
Thailand	1-day repo	1.75	30 Apr 25 (-25bp)	Aug 25 (-25bp)
Taiwan	Official disc.	2.00	21 Mar 24 (+12.5bp)	4Q 25 (-13bp)

Source: J.P. Morgan

Many China activity-related Cyclical sectors have performed poorly last year… stay away from most, for now

MSCI Europe selected Cyclicals sectors relative



Source: Datastream

Post the current pause, we would look for Eurozone to pick up again, on better credit impulse… we stay bullish on the Defense sector

European defense champions basket relative

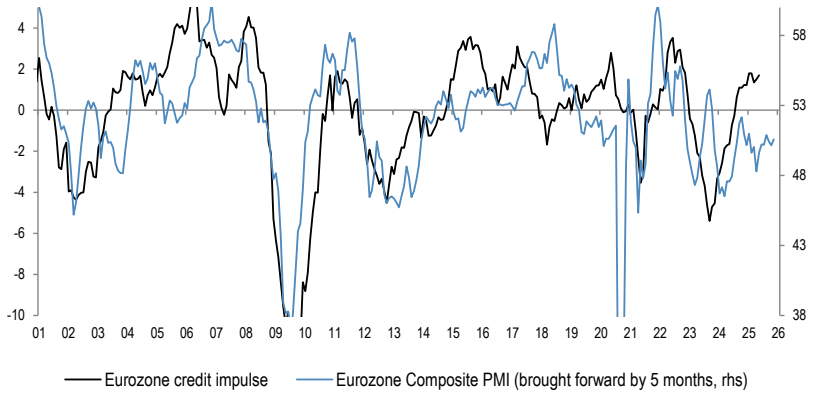
Source: Bloomberg Finance L.P., J.P. Morgan

Brent, Natural Gas and Power Price - Current vs Average of 2018/19

	Current	Average of 2018/19	% Change
Brent	69.1	67.9	2%
Eurozone Natural Gas Forward Price	32.6	18.4	77%
Germany 1-year forward power price	85.7	45.8	87%
Eurozone/US Natural Gas Premium	2.2x	1.0x	120%

Source: Bloomberg Finance L.P.

Eurozone credit impulse and Composite PMI



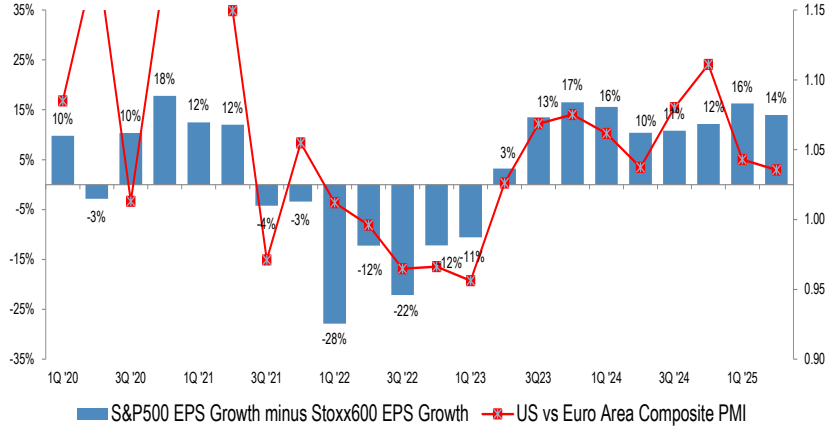
Source: Bloomberg Finance L.P., J.P. Morgan

Our call for consolidation in SX5E over the past 6 months was helped by continued Eurozone earnings lag vs the US

MSCI Eurozone vs US sector neutral P/E relative

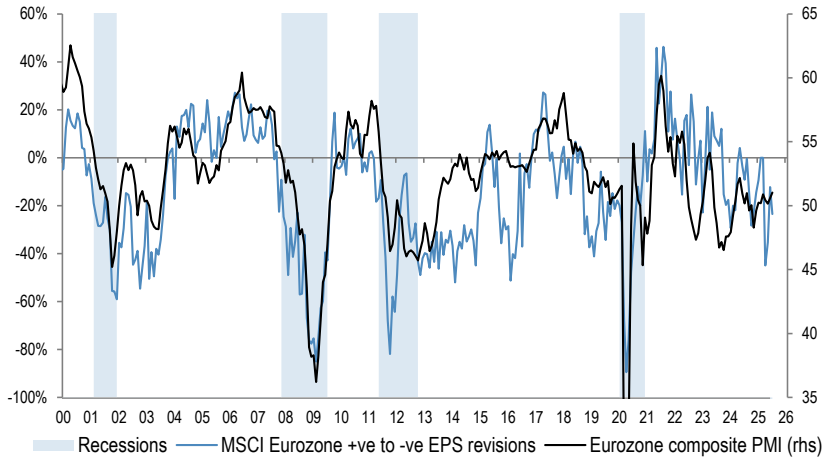
Source: Datastream

S&P500 EPS Growth minus Stoxx600 EPS Growth and relative composite PMI



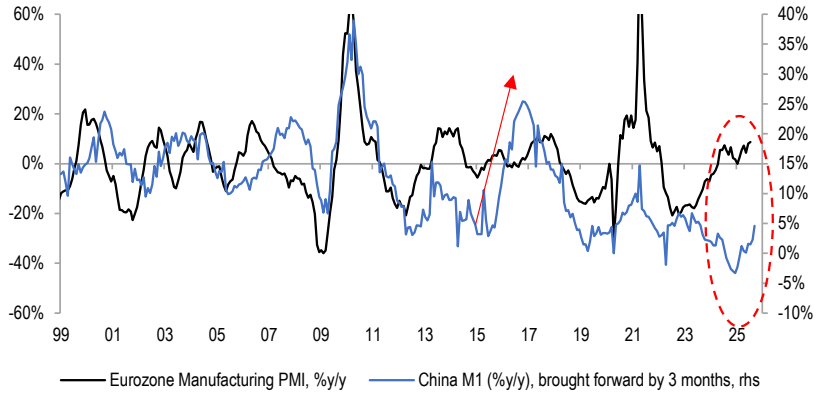
Source: J.P. Morgan, IBES

Eurozone EPS revisions and composite PMI



Source: : IBES

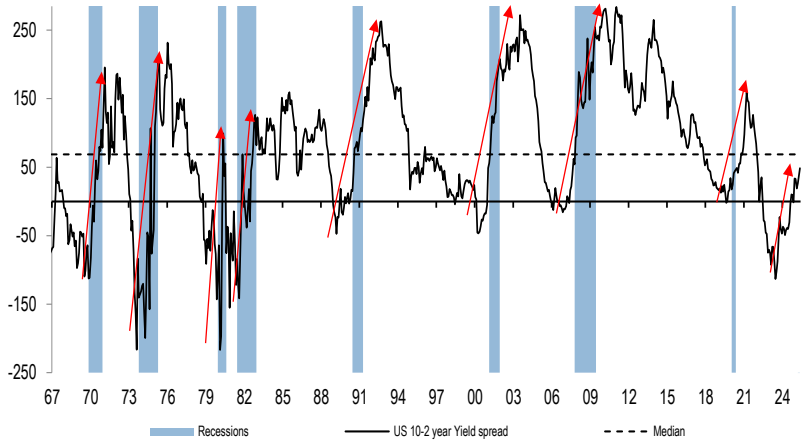
Eurozone Manufacturing PMI and China M1



Source: : Bloomberg Finance L.P., S&PGlobal

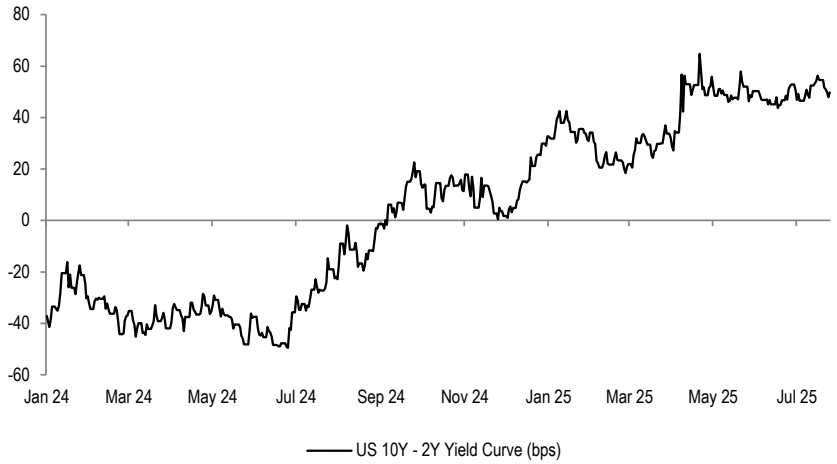
The yield curve is set to steepen further over 12 months, but there could be near-term flattening if recession risks reappear

US 10Y - 2Y yield curve and recessions



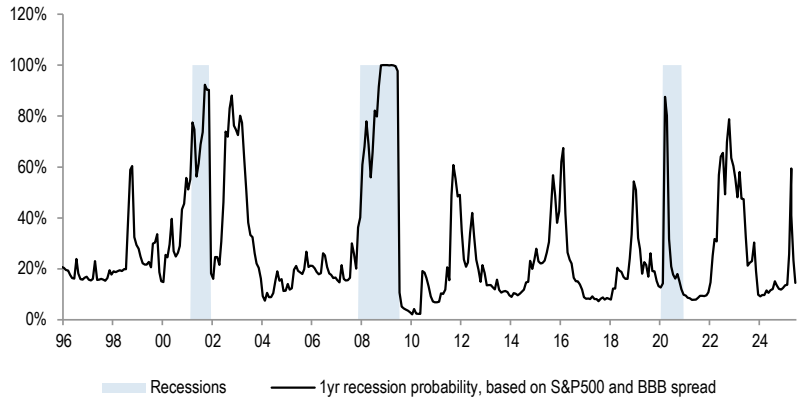
Source: Datastream

US 10Y - 2Y Yield Curve since Jan '24



Source: Bloomberg Finance L.P.

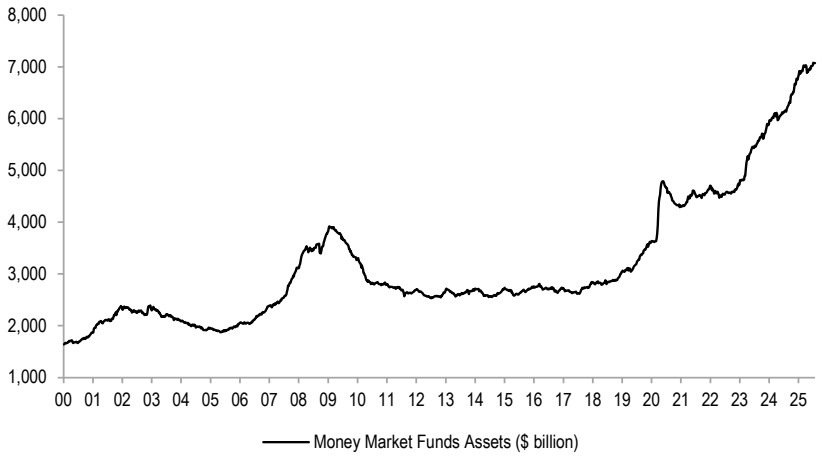
Recession Probability Indicator



Source: J.P. Morgan

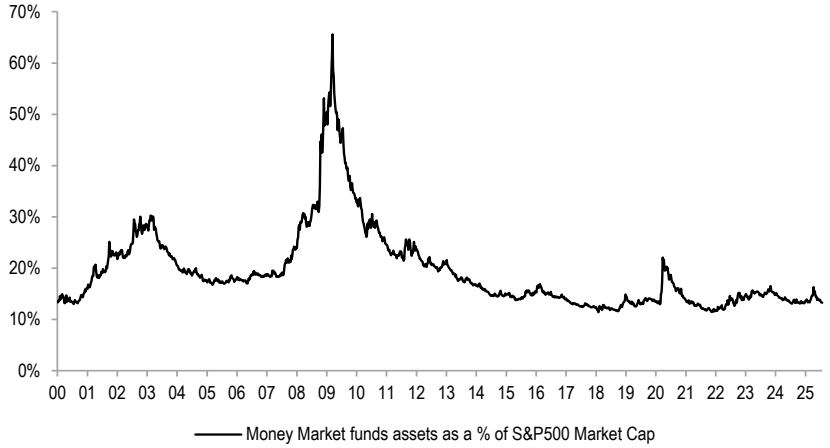
Is the cash on the sidelines the overriding support? Demand-supply for US bonds might be worsening

Money market Funds Assets



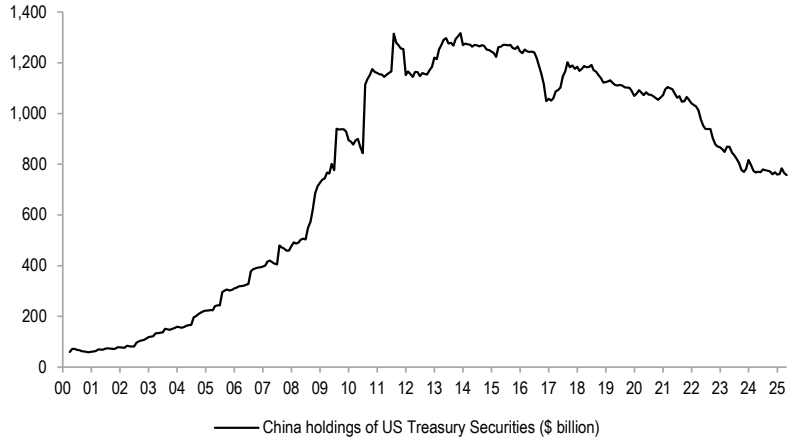
Source: Bloomberg Finance L.P.

Money market funds assets % of S&P500 market cap



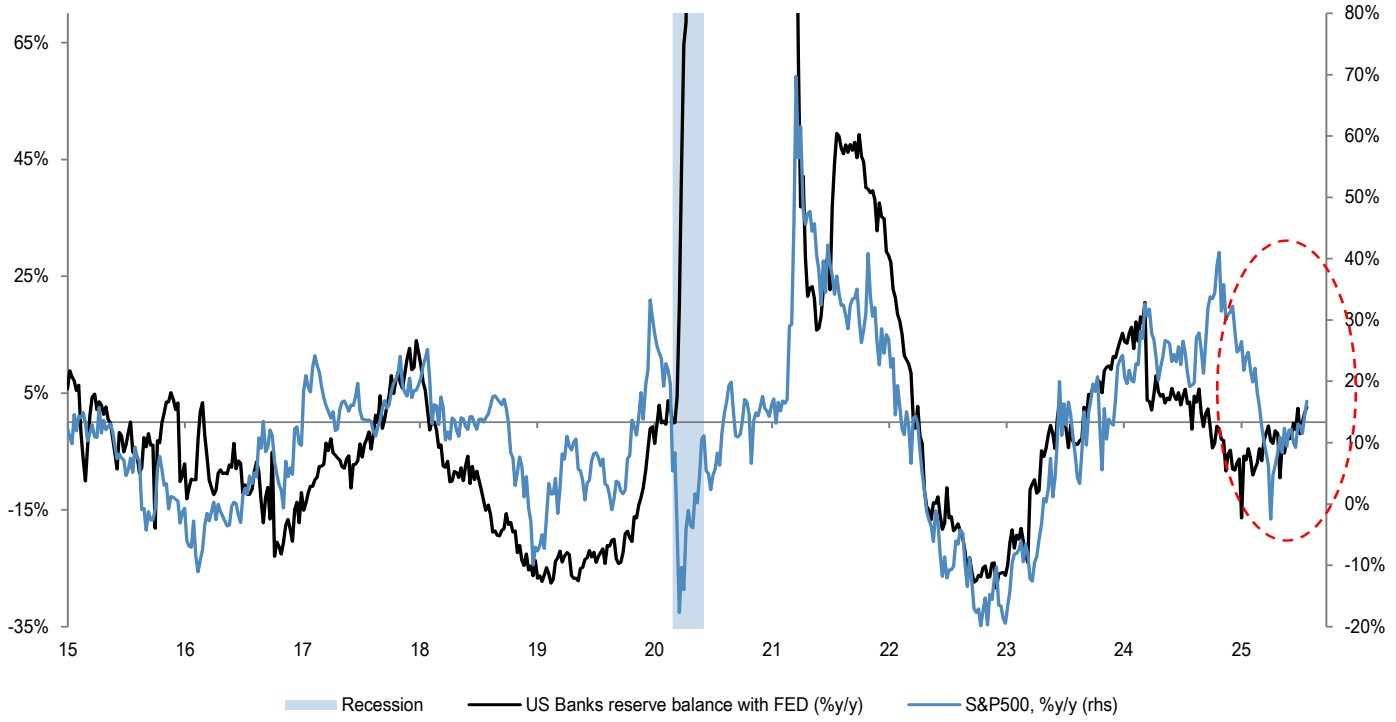
Source: Bloomberg Finance L.P.

China holdings of US Treasury securities



Where to for excess liquidity?

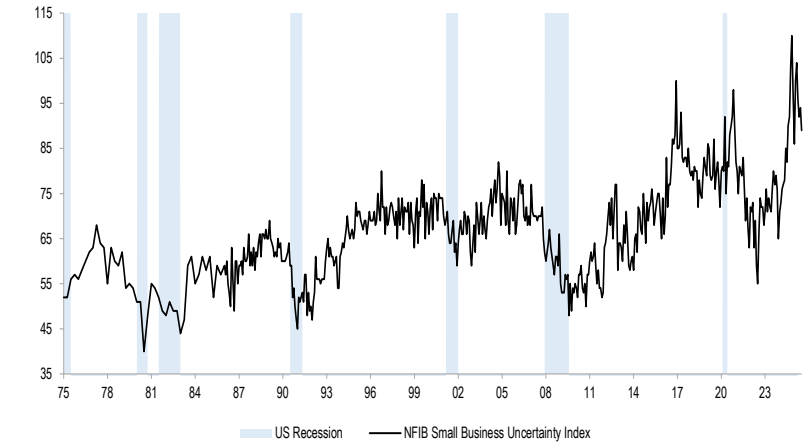
US Banks reserve balance with Fed vs S&P500



Source: Bloomberg Finance, Datastream

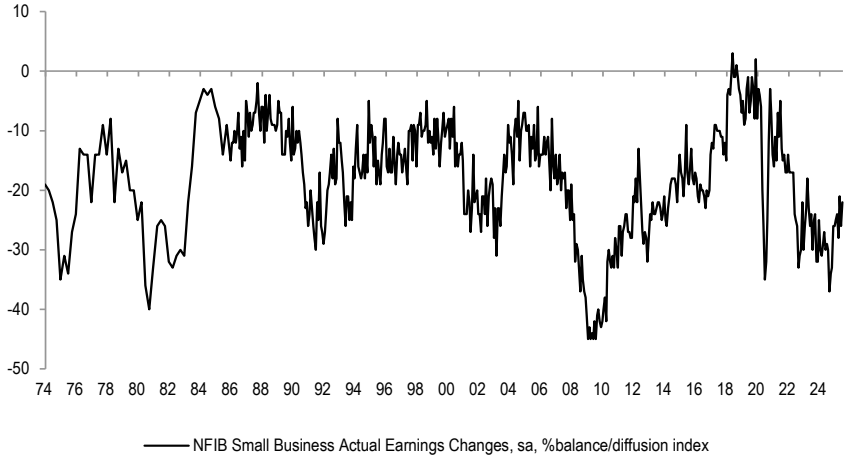
US small caps already had a recession…

NFIB Small Business Uncertainty Index



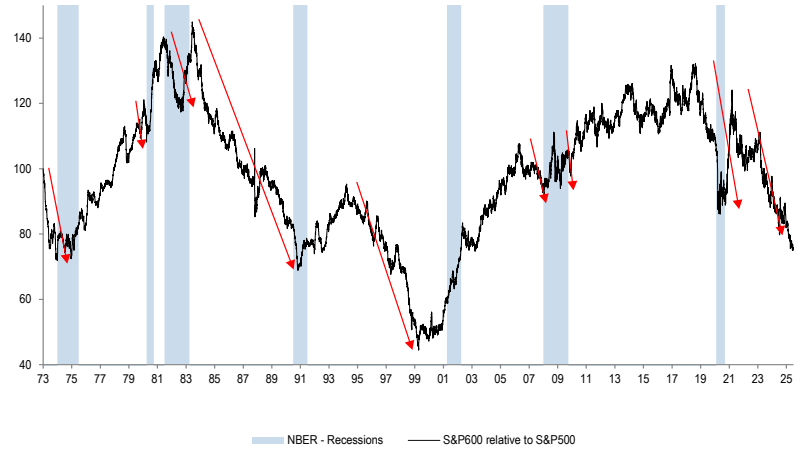
Source: Bloomberg Finance L.P.

NFIB earnings balances



Source: Bloomberg Finance L.P.

S&P600 vs S&P500



Source: Datastream

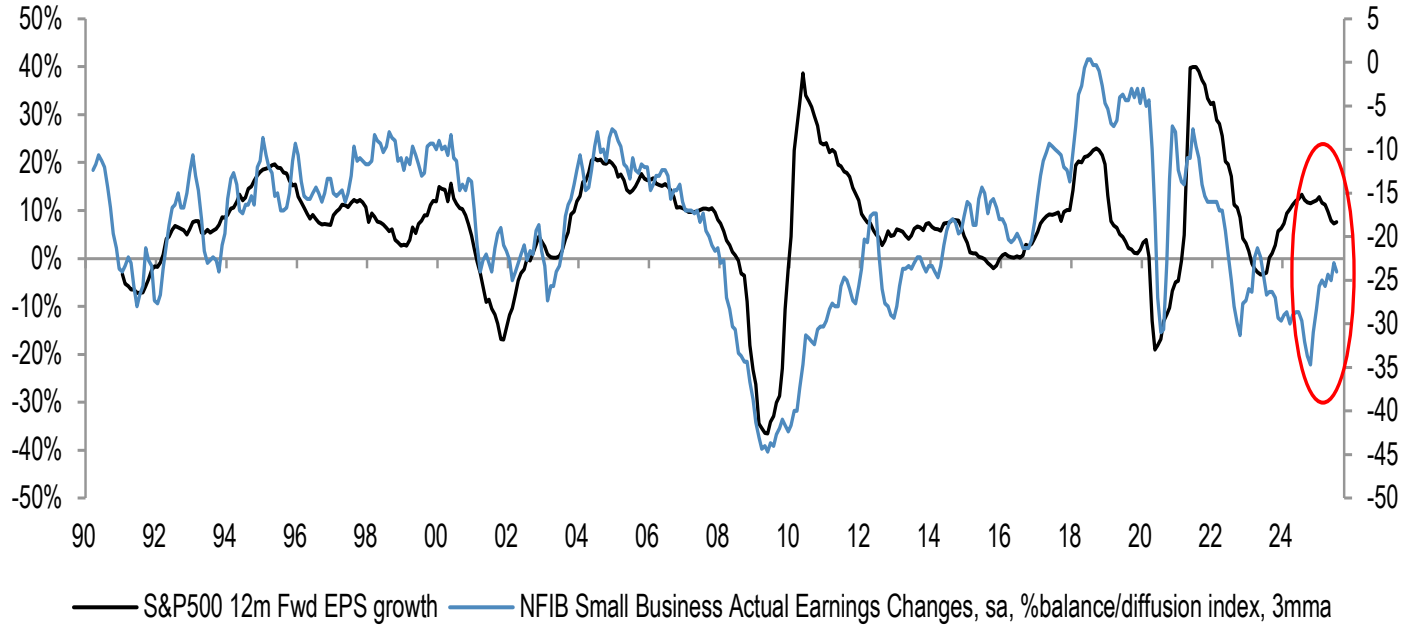
Peak to trough move in S&P600 vs S&P500

From	To	Peak to Trough move in S&P600 vs S&P500
Jan-73	Jan-74	-28%
Jan-80	Mar-80	-11%
May-81	Aug-82	-16%
Jun-83	Nov-90	-52%
Mar-94	Apr-99	-53%
Apr-06	Jan-08	-15%
Aug-18	May-20	-35%
Mar-21	Jul-24	-36%
Median		-31%
Average		-31%

Source: Datastream

…we remain unexcited about RTY, our small caps preference is in non-US, but we note that the gap with large caps is closing…

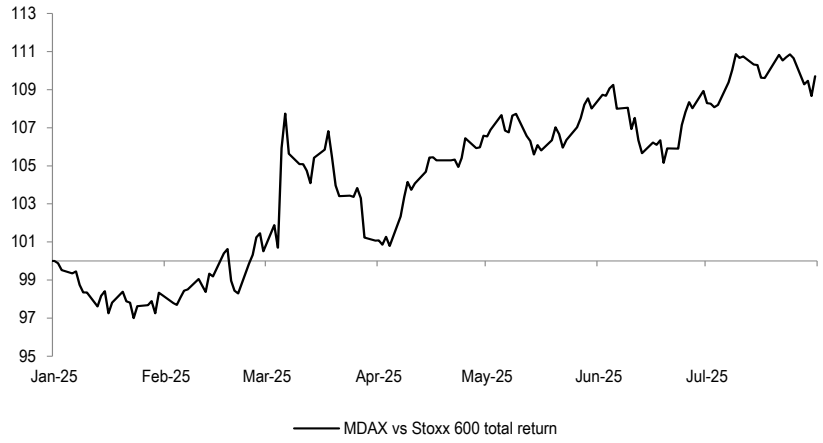
NFIB earnings balances vs S&P500 earnings



Source: Bloomberg Finance, IBES

...last summer, we reversed our multi-year UW call on international small caps… Japan, Eurozone and UK are seeing the shift…

MDAX vs Stoxx 600 ytd



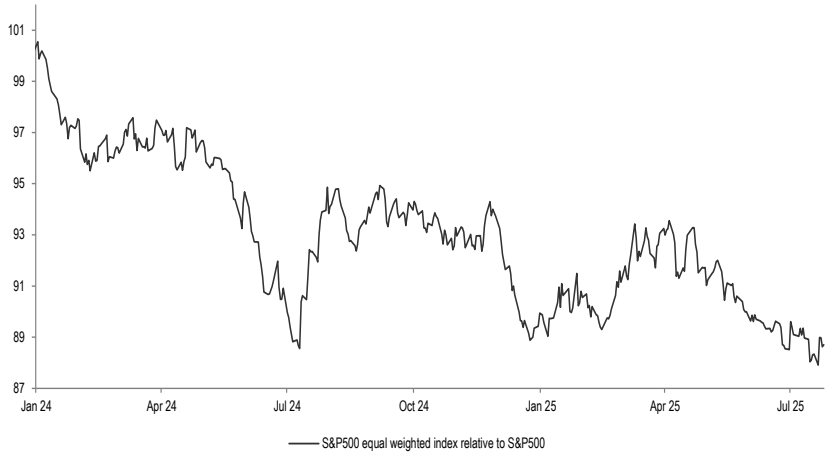
Source: Datastream

Small caps vs large caps -performance

		2022	2023	2024 H1	2024 H2	2025
MSCI US	Small Caps	-18.4%	16.5%	1.3%	9.0%	1.1%
	Large Caps	-20.8%	25.0%	14.1%	8.2%	8.0%
MSCI UK	Small Caps	-24.6%	6.4%	2.4%	1.3%	8.6%
	Large Caps	3.0%	3.3%	5.3%	0.0%	11.3%
MSCI Eurozone	Small Caps	-19.1%	11.1%	-0.6%	-1.5%	17.1%
	Large Caps	-14.5%	16.0%	6.2%	0.6%	11.8%
MSCI Japan	Small Caps	-1.5%	18.4%	11.6%	1.9%	10.2%
	Large Caps	-6.6%	25.9%	20.1%	-1.4%	4.3%

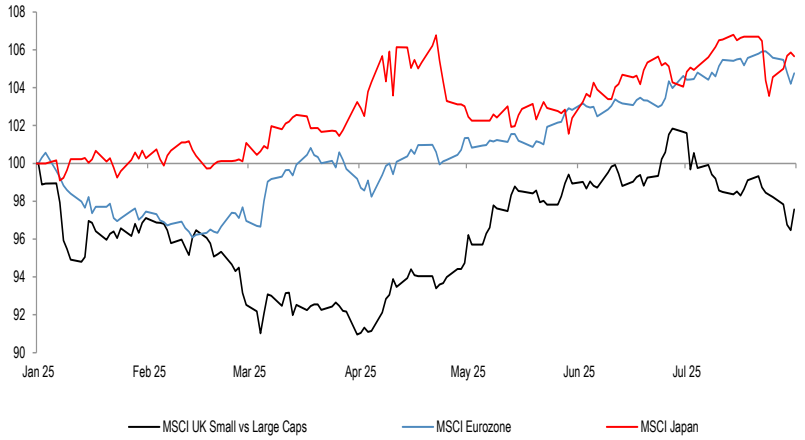
Source: Datastream

SPW vs SPX



Source: Bloomberg Finance L.P.

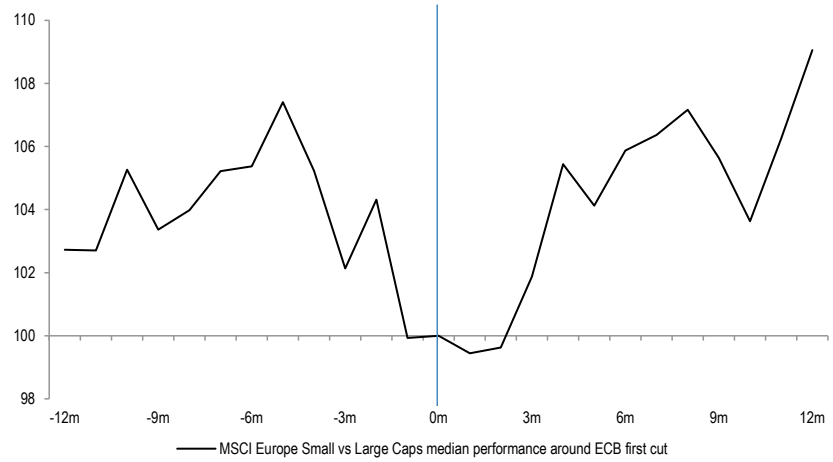
Key regions - Small vs Large Caps ytd



Source: Datastream

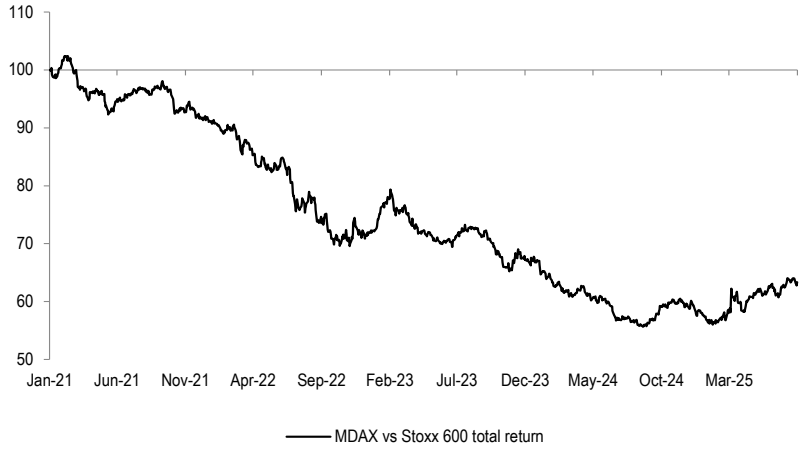
…MDAX is bottoming out… International small caps are attractively priced… we prefer domestic over exporter plays

MSCI Europe Small vs large cap performance around ECB first cut



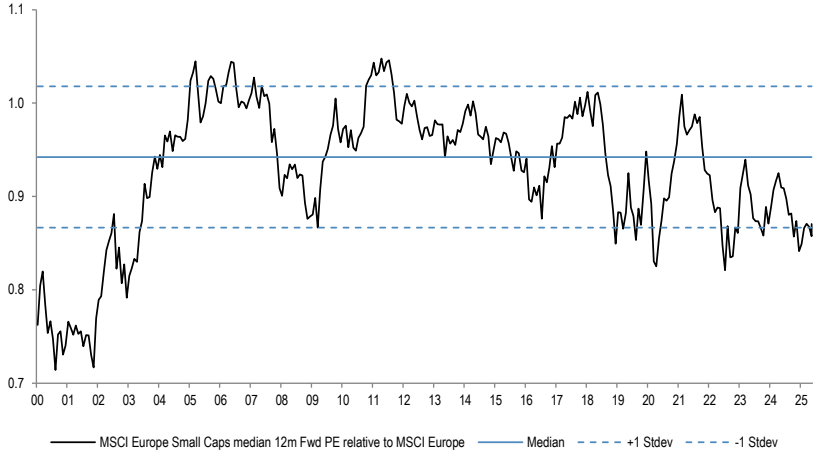
Source: Datastream

MDAX vs Stoxx 600 total return since Jan '21



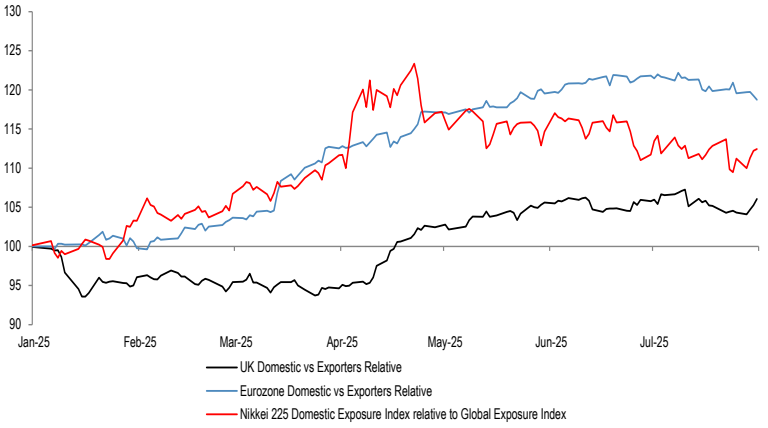
Source: Datastream

MSCI Europe Small Cap P/E relative to MSCI Europe



Source: Datastream

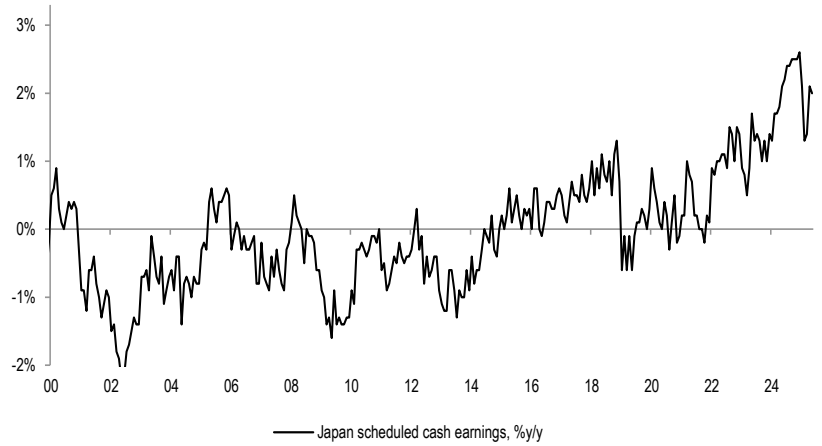
Key regions - Domestic vs Exporters relative



Source: Datastream, Bloomberg Finance L.P.

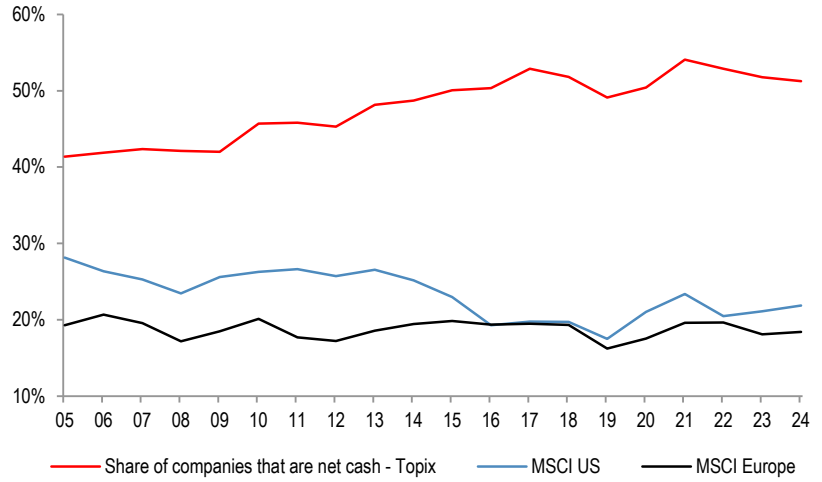
Japanese domestic reflation is tracking… stay long Japanese Banks

Japan scheduled cash earnings



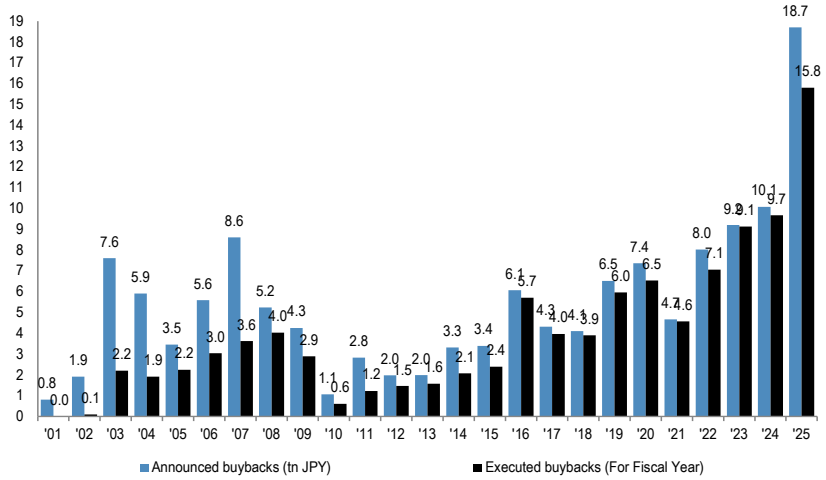
Source: Bloomberg Finance L.P.

% of net cash companies in the index



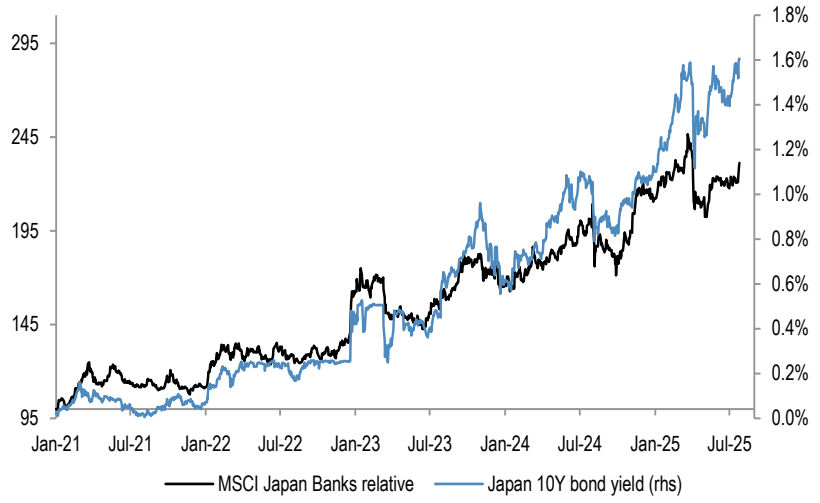
Source: Bloomberg Finance L.P.

Announced and executed buybacks - TOPIX universe


'01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23 '24 '25
Announced buybacks (tn JPY)
Executed buybacks (For Fiscal Year)

Source: Bloomberg Finance L.P. refers to FY

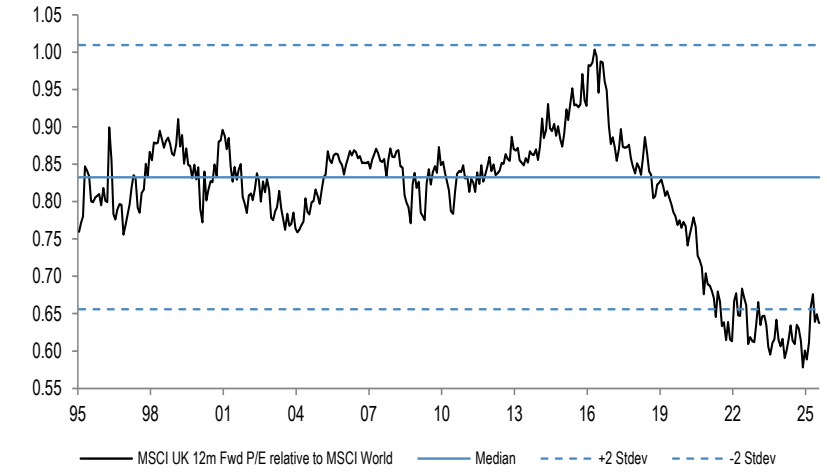
MSCI Japan Banks relative and Japan 10Y bond yield



Source: Datastream, Bloomberg Finance L.P.

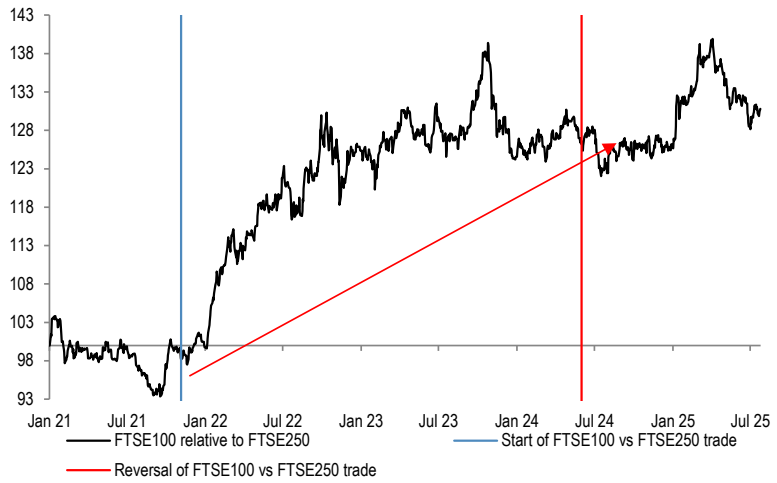
UK looks cheap and it typically held up better in periods of volatility

MSCI UK 12m Fwd. P/E relative to MSCI World



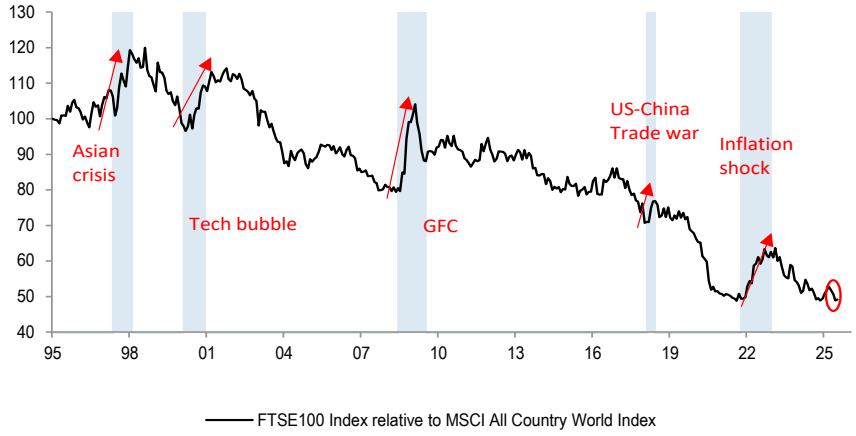
Source: IBES

FTSE100 vs FTSE250

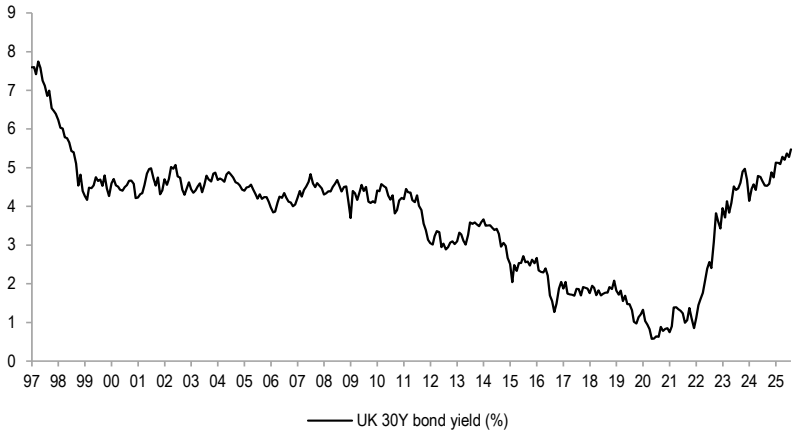


Source: Datastream

FTSE100 relative to MSCI All Country World Index



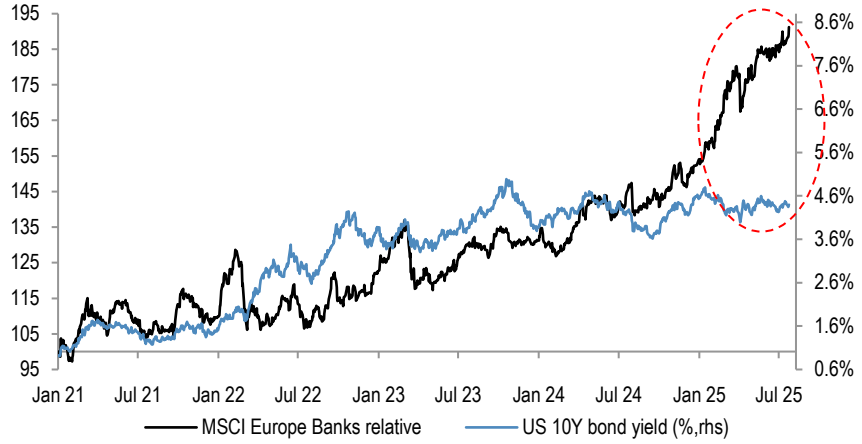
UK 30Y bond yield



Source: Bloomberg Finance L.P.

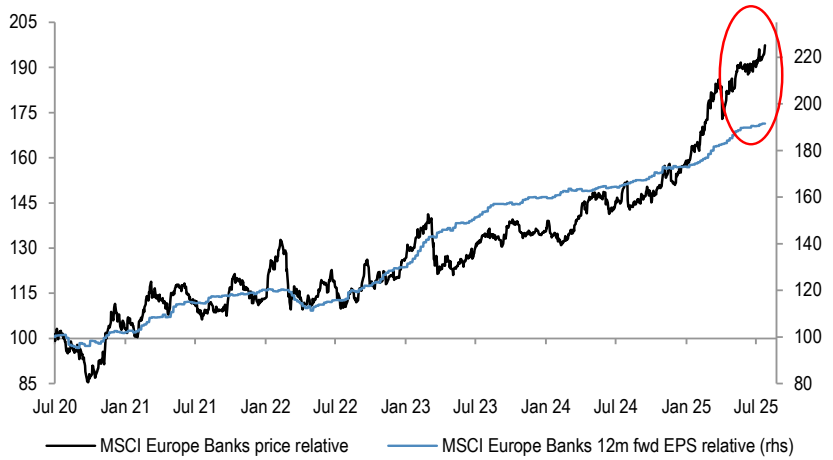
European Banks outlook, tactically stretched

European Banks relative and US 10Y bond yield



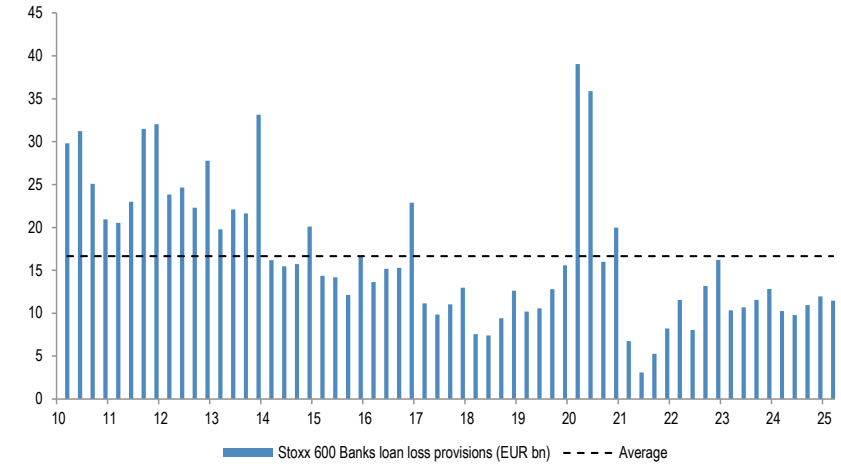
Source: Datastream, Bloomberg Finance L.P.

MSCI Europe Banks relative and EPS relative



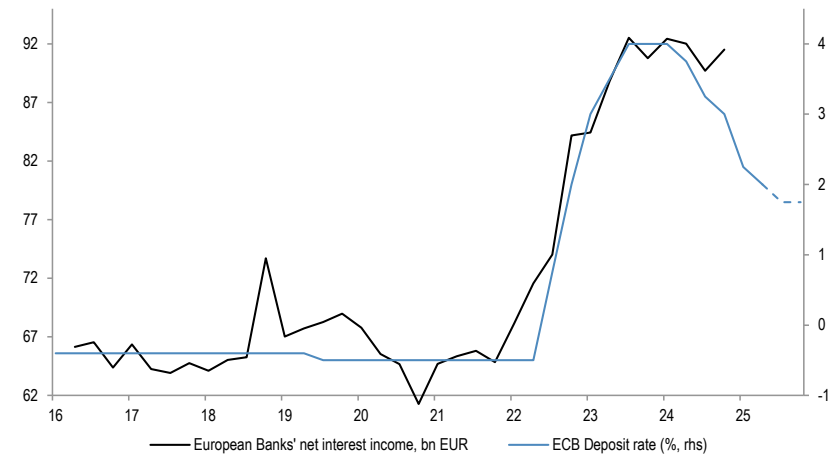
Source: Bloomberg Finance L.P., IBES

Stoxx600 Banks loan loss provisions



Source: Bloomberg Finance L.P.

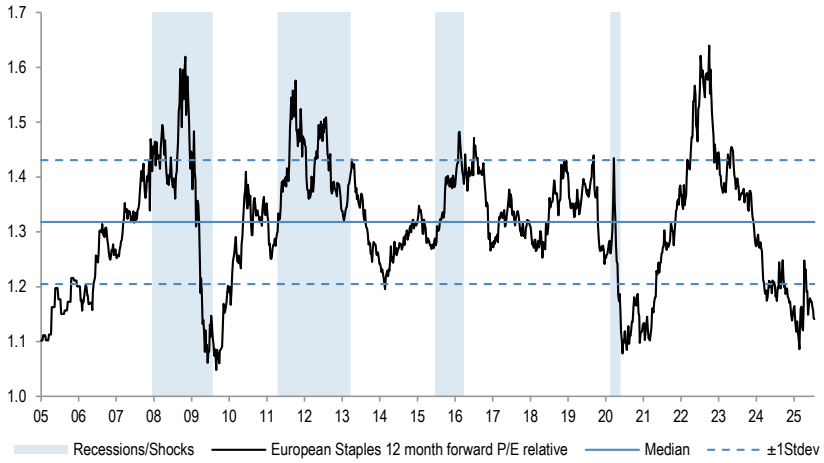
Banks Net interest income and ECB deposit rate



Source: J.P. Morgan

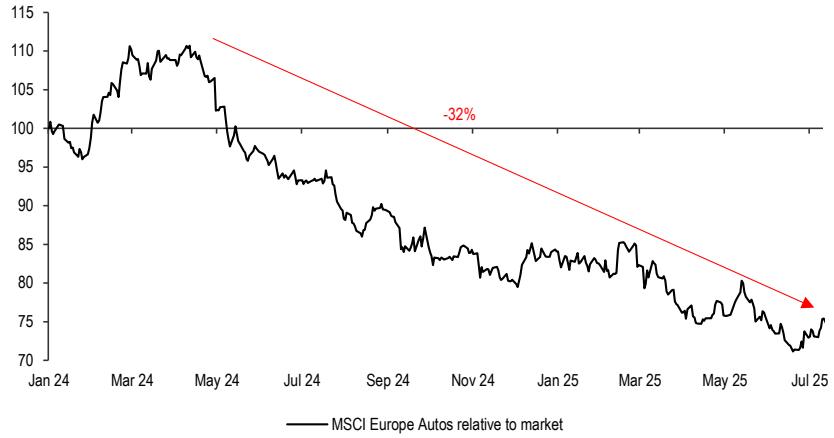
Staples still look cheap; Keep short consumer – Autos; We recently double upgraded Chemicals and Mining

European Staples 12m Fwd. P/E relative



Source: IBES

MSCI Europe Autos relative

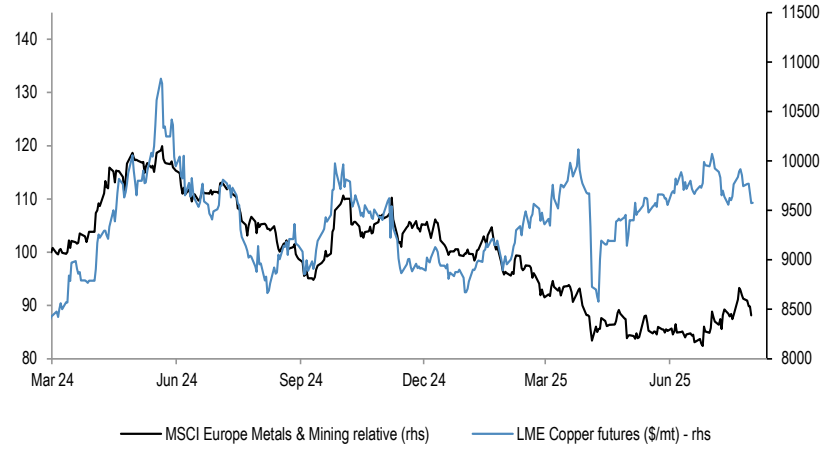


Source: Datastream

MSCI Europe Energy relative and Brent

Source: Datastream

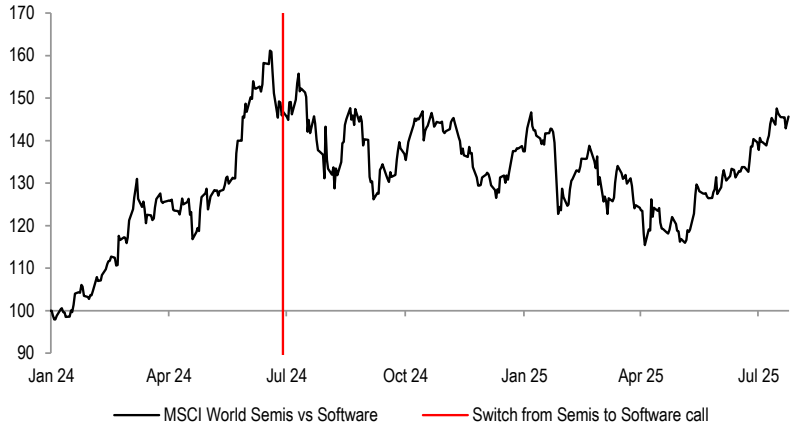
MSCI Europe Metals and Mining relative and Copper Futures



Source: Bloomberg Finance L.P.

Within Tech, resume rotation out of Semis into Software… stay with quality Tech, away from non-profitable areas

MSCI World Semis vs Software

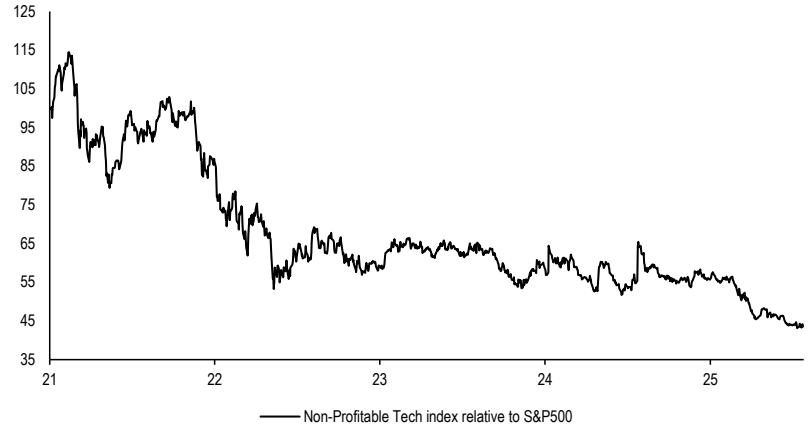


Source: Datastream

MSCI US Tech median P/E

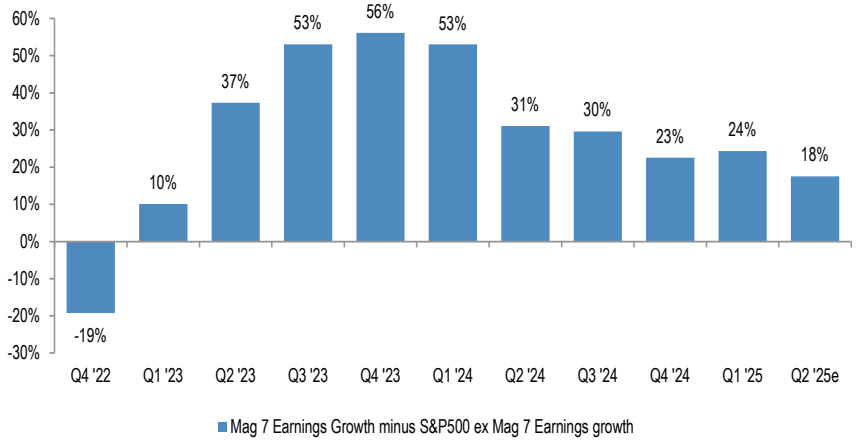
Source: IBES

Non Profitable Tech relative to S&P500



Source: Bloomberg Finance L.P., J.P.Morgan

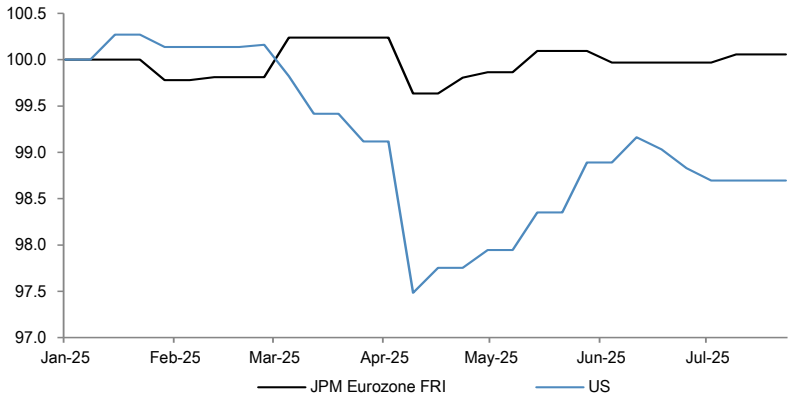
Mag 7 Earnings Growth



Source: Bloomberg Finance L.P., J.P.Morgan

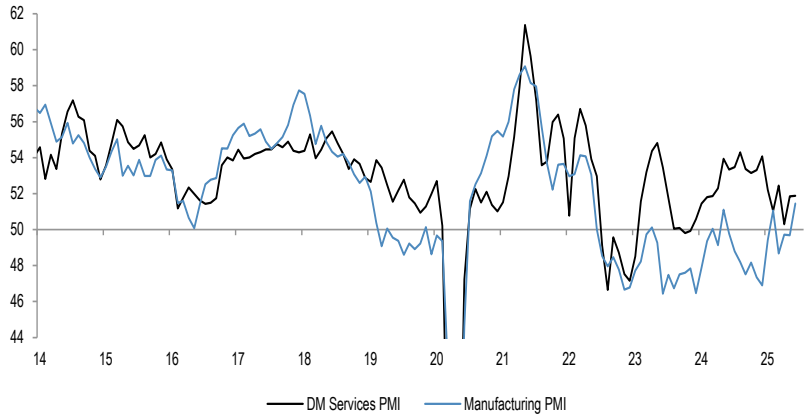
Fundamentally: 1) US upcycle is long in the tooth, and there are plenty areas of concern…

US and Eurozone FRI



Source: Bloomberg Finance L.P.

DM Services and Manufacturing PMI



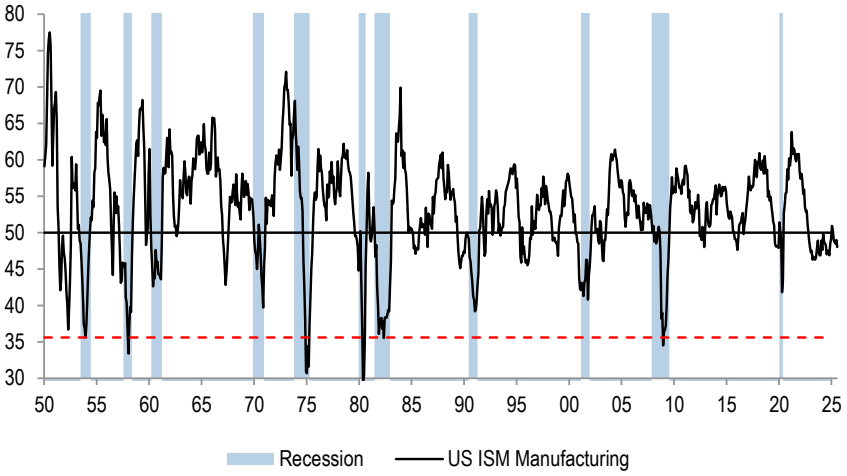
Source: J.P. Morgan

JPM GDP forecasts, by region

	Real GDP, %yy		
	2024E	2025E	2026E
United States	2.8%	1.7%	1.7%
Eurozone	0.9%	1.1%	0.9%
United Kingdom	1.1%	1.1%	0.9%
China	5.0%	4.8%	3.6%
Japan	0.2%	1.1%	0.8%

Source: Bloomberg Finance L.P., J.P.Morgan

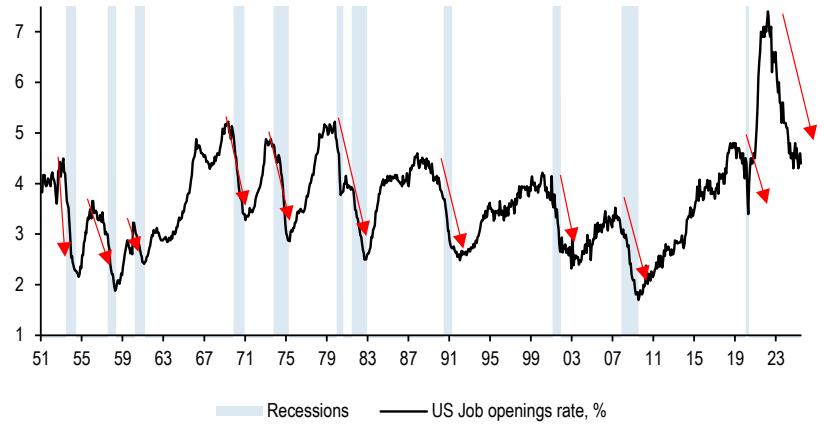
US ISM Manufacturing and past recessions



Source: Bloomberg Finance L.P. *dotted line refers to median trough during recessions

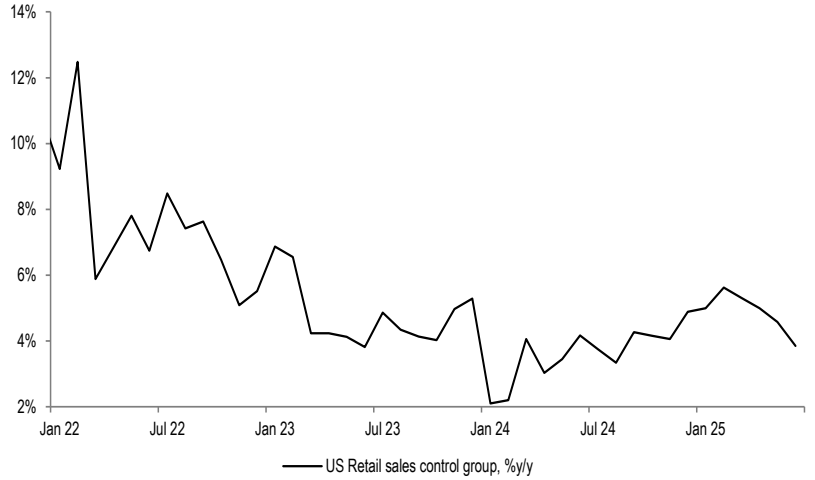
…some consumer tailwinds are waning…

US job vacancies rate



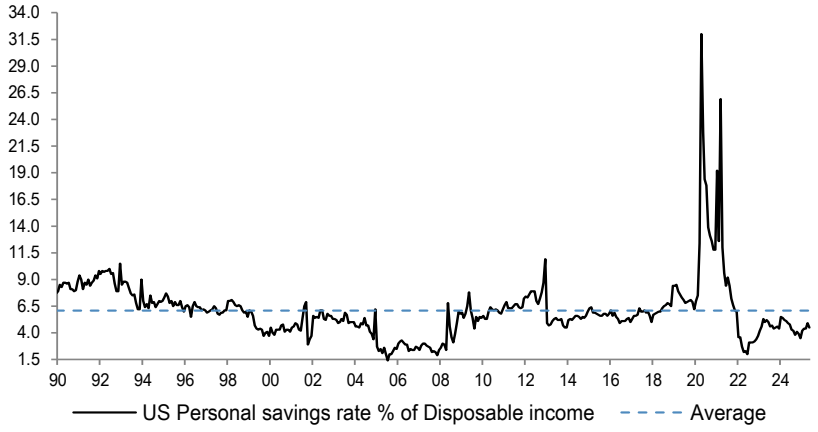
Source: Barnichon, SF Fed, J.P. Morgan

US Retail Sales - Control Group



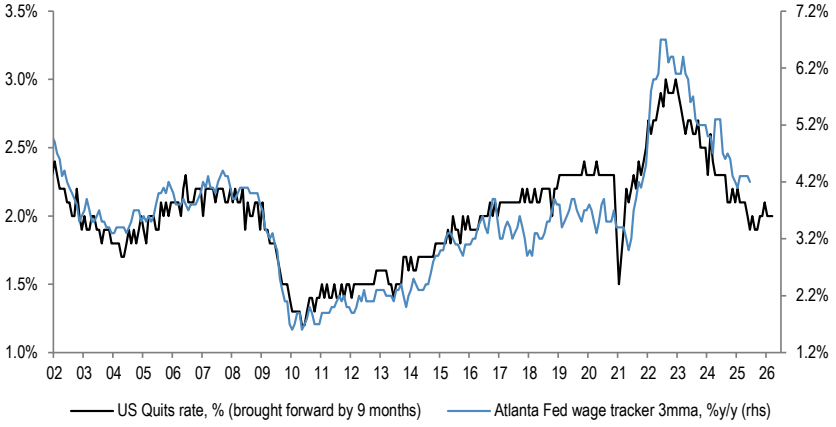
Source: Bloomberg Finance L.P.

US savings rate



Source: Bloomberg Finance L.P.

US Quits rate and Atlanta Fed wage tracker

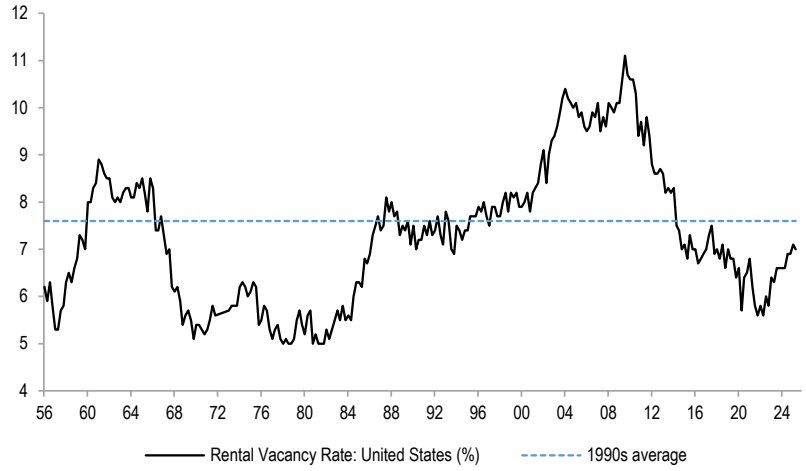


Source: Bloomberg Finance L.P.

…house prices are holding up so far, but could stall, affordability is worsening

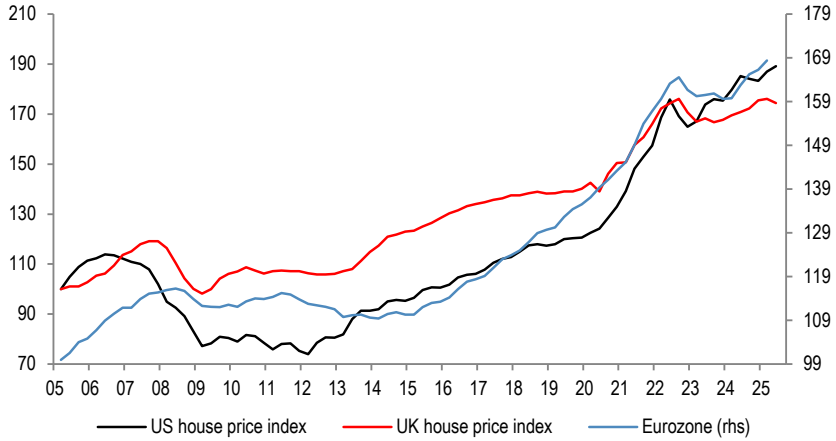
- House prices have been driven up due to strong demand and limited inventory.
- However, inventory levels are increasing, both in the new home market and the existing home market. Our US housing analyst warns that demand-supply dynamics are beginning to weaken, and pricing starting to stall.
- Vacancy rates for rentals are picking up, but still below average.
- Consumer balance sheets look healthy, but house prices affordability is weaker.

US rental vacancy rate



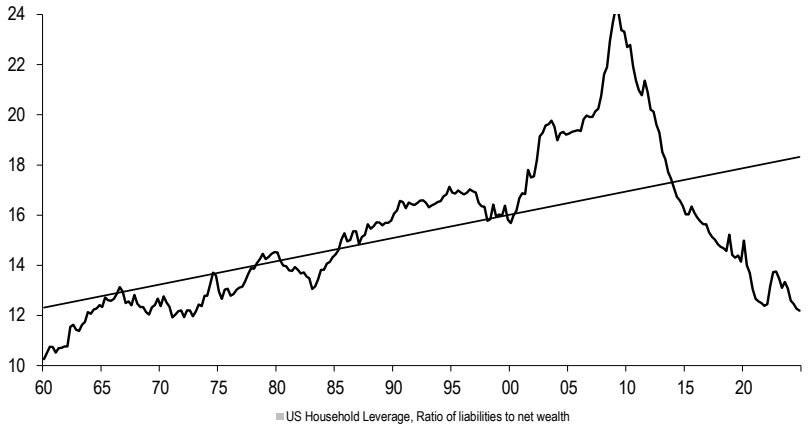
Source: BEA

US, UK and Eurozone house prices



Source: Bloomberg Finance L.P.

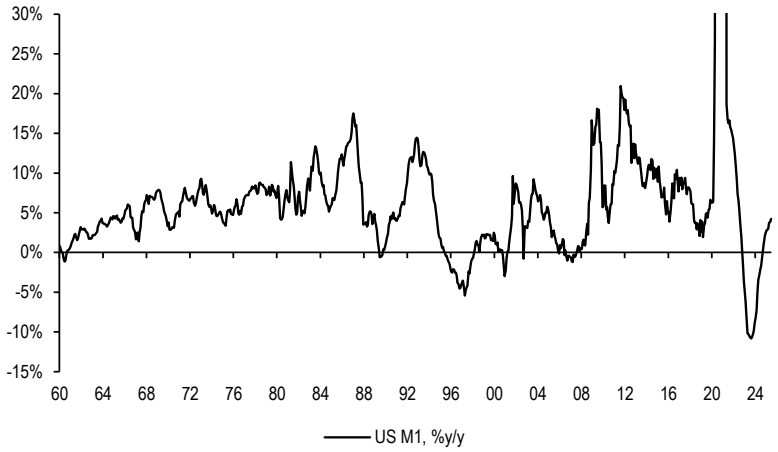
US household leverage (%)



Source: FRB

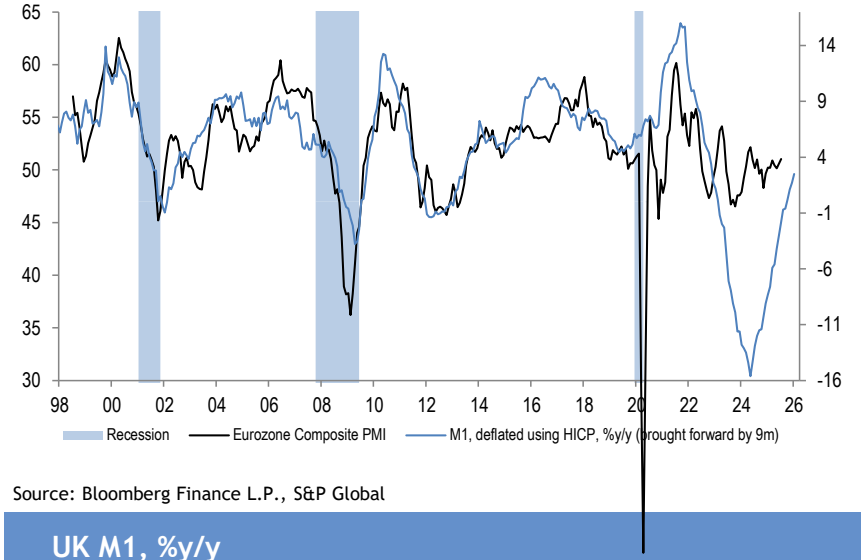
Money supply - a leading indicator for PMIs - is recovering in US and in Eurozone

US M1, %y/y



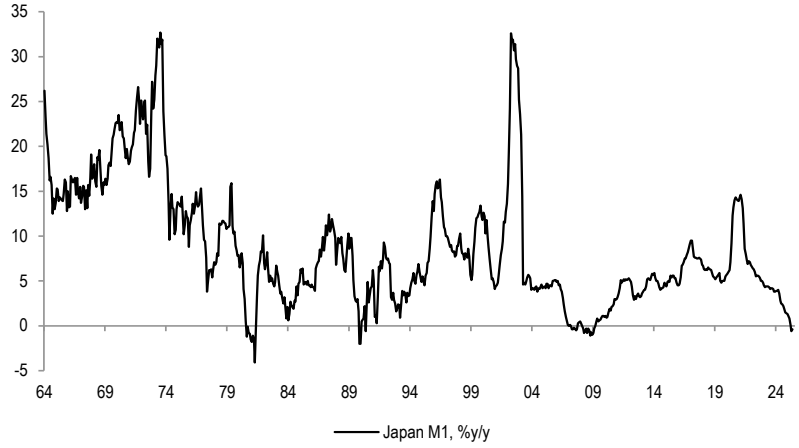
Source: Bloomberg Finance L.P.

Eurozone M1 growth (deflated by HICP) vs PMI



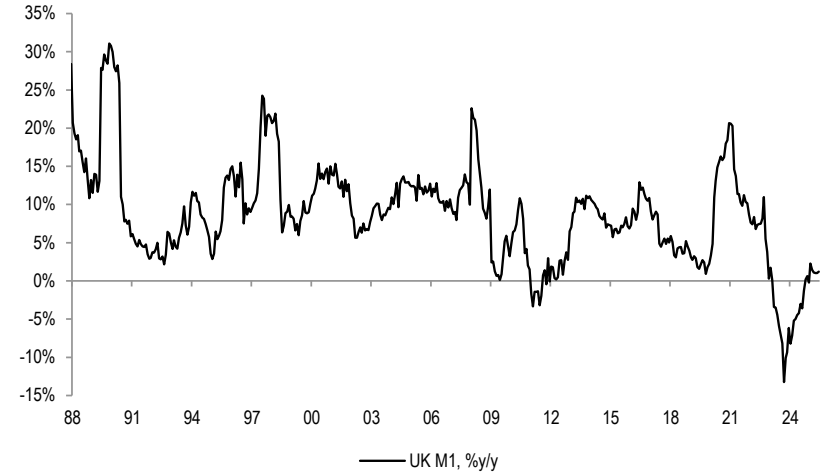
Source: Bloomberg Finance L.P., S&P Global

Japan M1, %y/y



Source: Bloomberg Finance L.P.

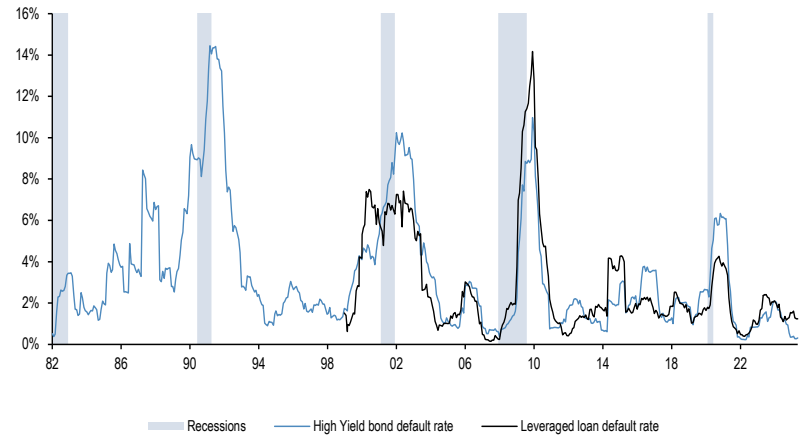
UK M1, %y/y



Source: Bloomberg Finance L.P.

Default rates are low, will that continue?

US HY and leveraged loan default rate



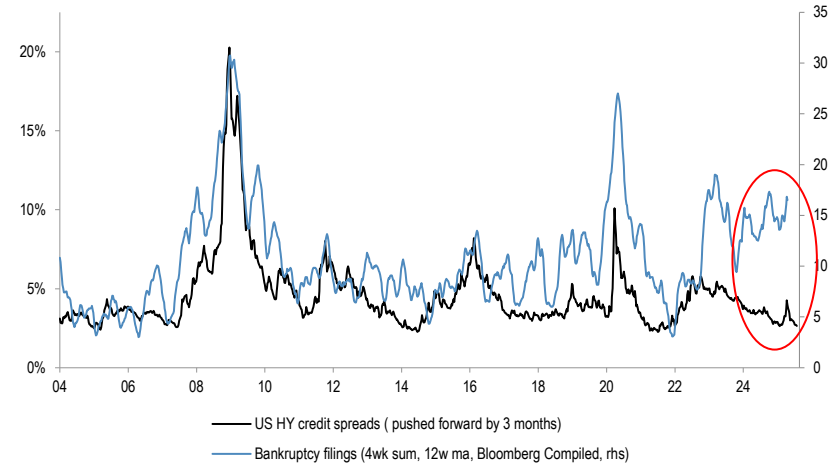
Source: J.P. Morgan

HY credit spreads and recessions

Past recessions	Trough in HY spreads	# months to recession	Move in spreads: trough to recession (bp)
1990	Jul-88	25	327
2001	Mar-98	37	513
2008	Jun-07	7	325
2020	Oct-18	17	784
Median		**21**	**420**
Average		**22**	**487**

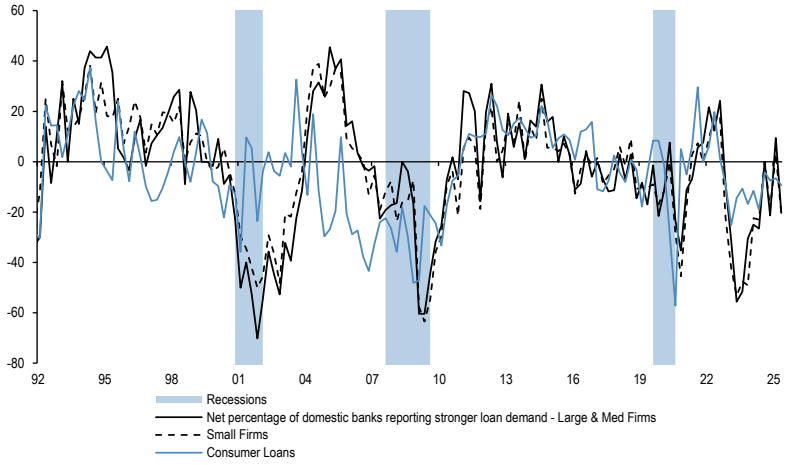
Source: J.P. Morgan, *move from trough to present

US bankruptcy filings and HY credit spreads



Source: J.P. Morgan, Bloomberg Finance L.P.

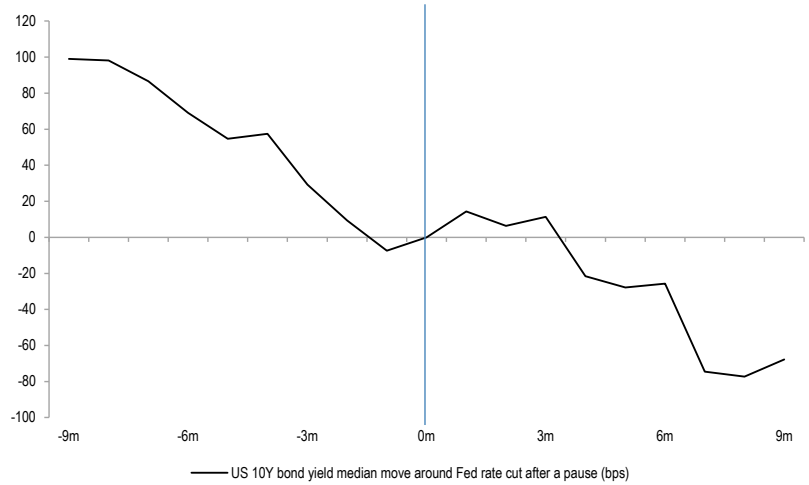
% of US banks reporting stronger loan demand



Source: FRB

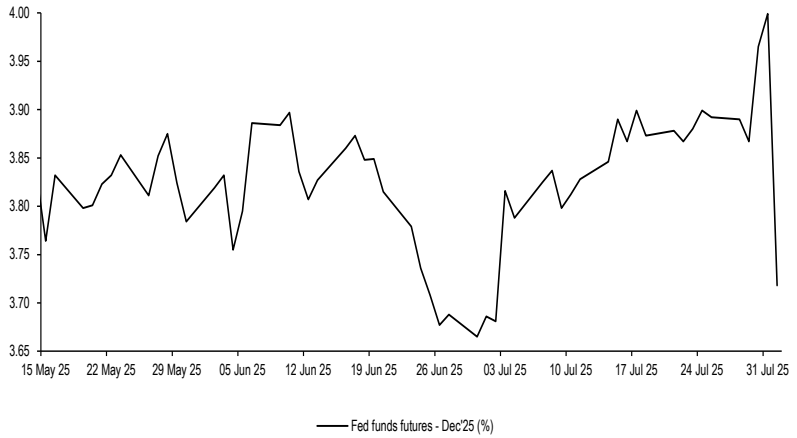
2) Fed to resume easing in 2H, but could it be for the wrong reasons?

US10Y bond yield median move around Fed rate cut after a pause



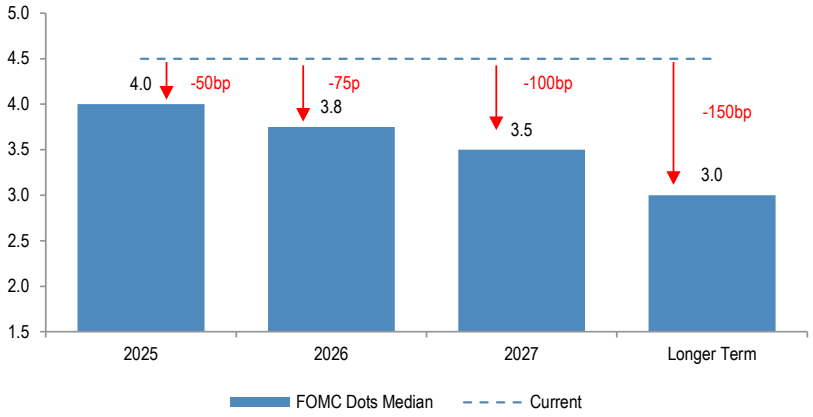
Source: Bloomberg Finance L.P.

Fed Funds Futures - Dec '25



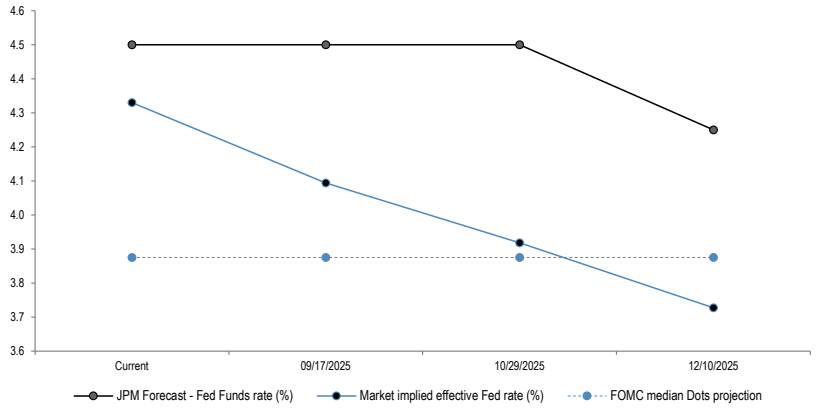
Source: Bloomberg Finance L.P.

FOMC Dots median



Source: Bloomberg Finance L.P.

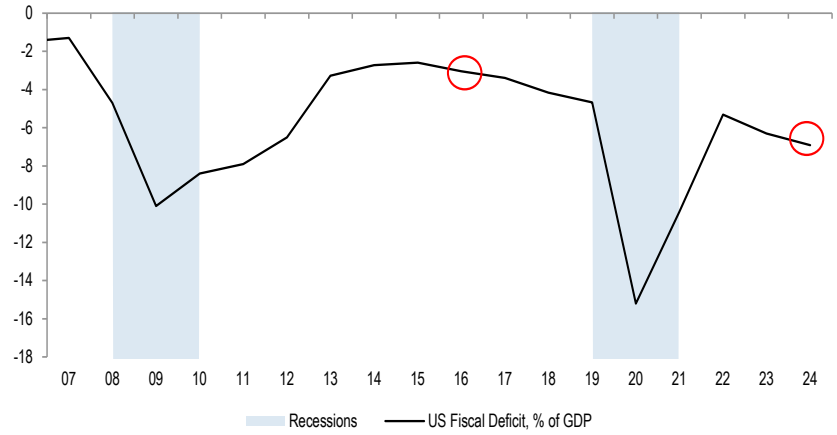
JPM expected and market implied Fed funds rate



Source: Bloomberg Finance L.P.

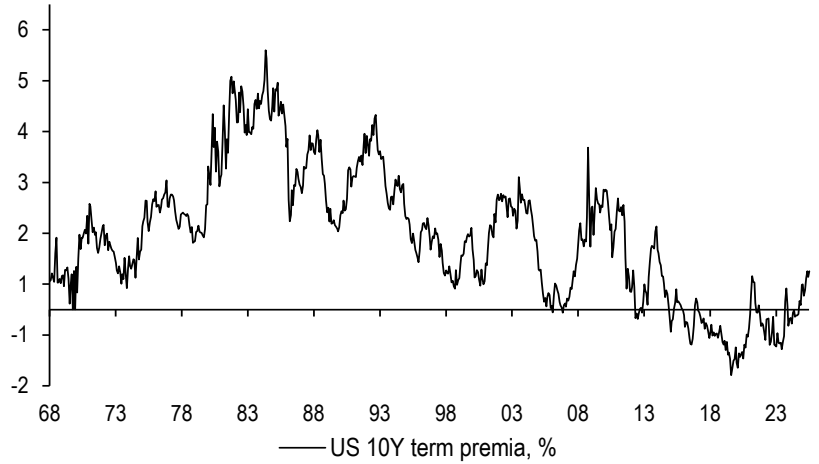
Term premia for bonds might need to go up more, and deficits are elevated

US fiscal deficit



Source: Bloomberg Finance L.P

US 10-year term-premia



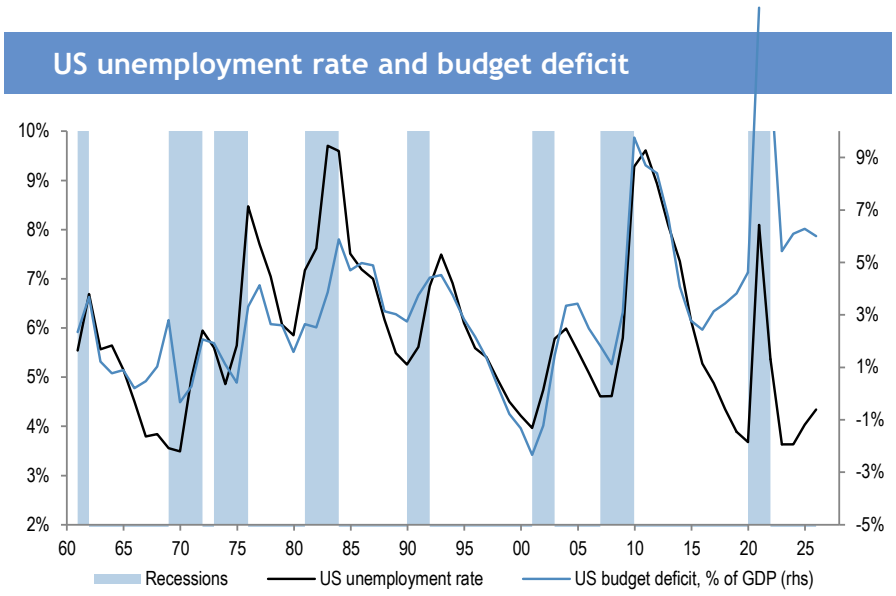
Source: J.P. Morgan

Move in yields during past Fed hiking cycles

	Move in		
Fed hiking cycles	**10Y - 2Y yield curve (bp)**	**10Y bond yield (bp)**	**2Y bond yield (bp)**
Oct '80 - May '81	-85	157	241
Mar '83 - Aug '84	-65	268	333
Apr '87 - May '89	-113	116	229
Feb '94 - Feb '95	-118	157	275
Jun '99 - May '00	-75	57	132
Jun '04 - Jun '06	-215	50	265
Dec '15 - Dec'18	-112	48	160
Feb' 22 - Jul' 23	-146	210	356

Source: J.P. Morgan

US unemployment rate and budget deficit



Source: J.P. Morgan

Central banks' balance sheets are contracting

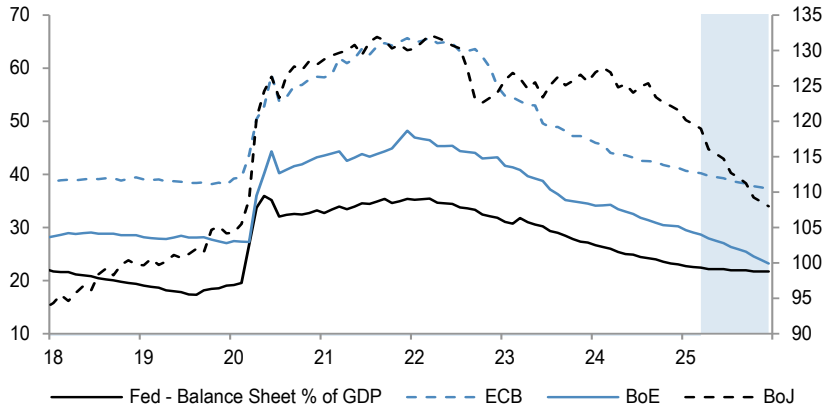
- The aggregate central banks balance sheet is set to contract, in an accelerating manner.

DM central bank balance sheets, 12m diff as of Dec, $bn

	2018	2019	2020	2021	2022	2023	2024	2025
Fed	-385	115	3161	1431	-258	-826	-829	-126
ECB	248	-33	2513	1722	-649	-1138	-656	-477
BoJ	206	141	872	143	-133	310	2	-342
BoE	35	-12	401	283	-28	-233	-101	-223
Total	**103**	**212**	**6947**	**3579**	**-1069**	**-1887**	**-1585**	**-1168**

Source: J.P. Morgan Economics Research

Central Bank Balance sheets as a share of GDP



Source: J.P. Morgan Economics Research

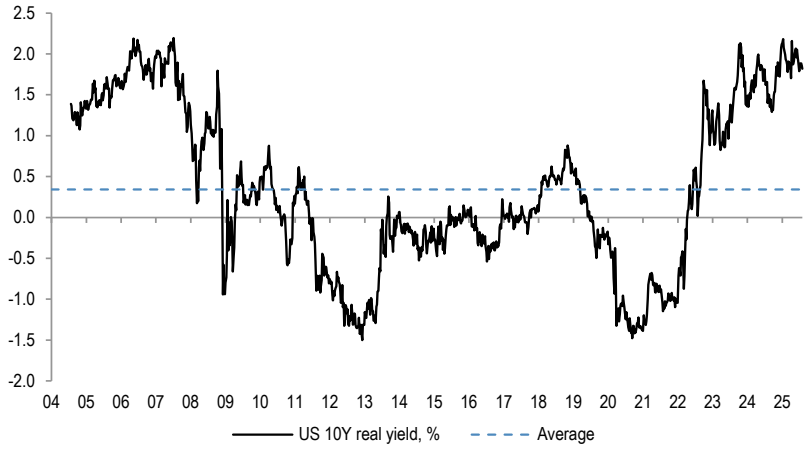
G5 Central Bank Balance sheet and Nominal GDP

	CB Balance Sheet ($Tn)				Expansion		
	2022	2023	2024e	2025e	2023 vs 2022	2024e vs 2023	2025e vs 2024e
FED	8.6	7.7	6.9	6.7	-10%	-11%	-2%
ECB	8.7	7.6	6.7	6.1	-13%	-12%	-8%
BoE	1.4	1.2	1.1	0.9	-13%	-9%	-22%
BoJ	5.2	5.2	4.9	4.5	0%	-7%	-7%
PBOC	6.0	6.4	6.0	6.0	7%	-5%	0%
G3 Aggregate CB Balance Sheet	22.5	20.5	18.4	17.4	-9%	-10%	-5%
G5 Aggregate CB Balance Sheet	29.9	28.1	25.5	24.3	-6%	-9%	-5%
G3 Nominal GDP Growth					7%	4%	3%
G5 Nominal GDP Growth					6%	5%	3%
G3 Aggregate CB Balance Sheet vs Nominal GDP Growth					-16%	-15%	-8%
G5 Aggregate CB Balance Sheet vs Nominal GDP Growth					-12%	-14%	-8%

Source: J.P. Morgan Economics Research

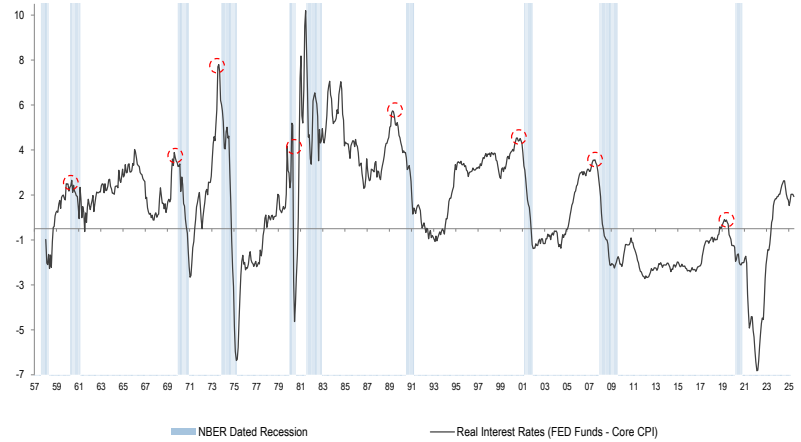
Real rates are near highs

US real rates



Source: Bloomberg Finance L.P.

US real policy rates and recessions



Source: Bloomberg Finance L.P.

US real rates entering recessions

Recession Start	Real Interest Rate (Fed Funds - Core CPI, %yoy) Level at the start of recession	6m avg before the start of recession
1960	1.9%	1.9%
1969	2.8%	3.0%
1973	5.5%	6.3%
1980	1.8%	2.2%
1990	3.2%	3.4%
2001	2.6%	3.4%
2007	1.8%	2.6%
2020	-0.8%	-0.7%
Average	**2.4%**	**2.8%**
Median	**2.3%**	**2.8%**
Current	**1.4%**	**1.4%**

Source: Bloomberg Finance L.P.

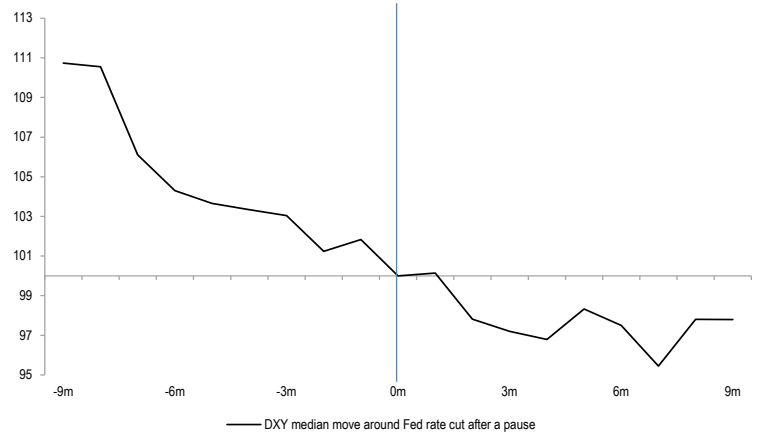
US real rates at the point of curve inversion

	Real Interest Rate (Fed Funds - Core CPI, %yoy) Before Yield Curve inversion start date	
Yield Curve inversion date	Latest reading	6m Avg
Dec-67	0.6%	0.5%
Mar-73	3.8%	2.9%
Aug-78	0.4%	0.5%
Dec-88	4.0%	3.7%
Feb-00	3.5%	3.3%
Jan-06	2.2%	1.8%
Aug-19	0.2%	0.2%
Average	**2.1%**	**1.9%**
Median	**2.2%**	**1.8%**

Source: Bloomberg Finance L.P.

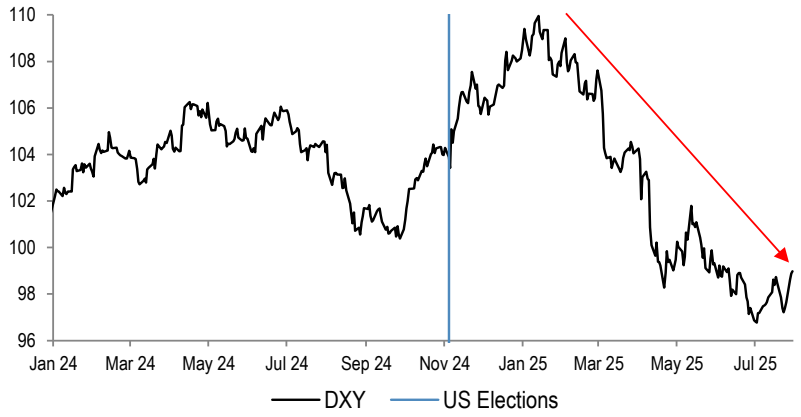
USD could behave differently to typical periods of volatility, when it was bid

DXY median move around Fed rate cut after a pause



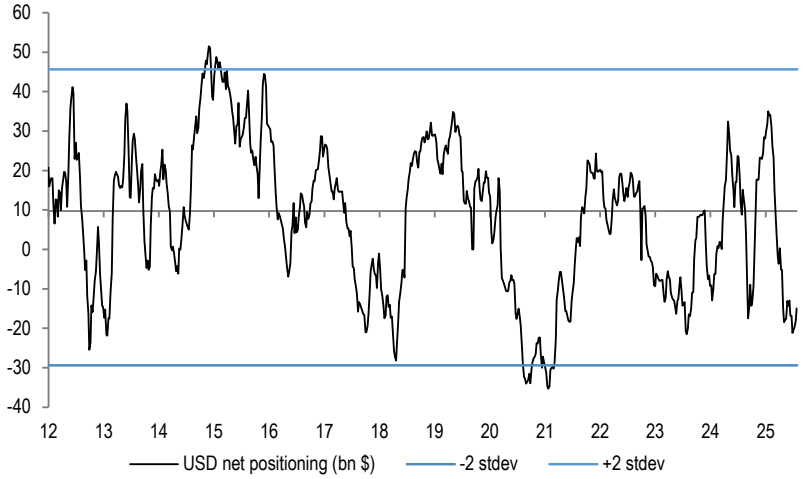
Source: Bloomberg Finance L.P.

DXY



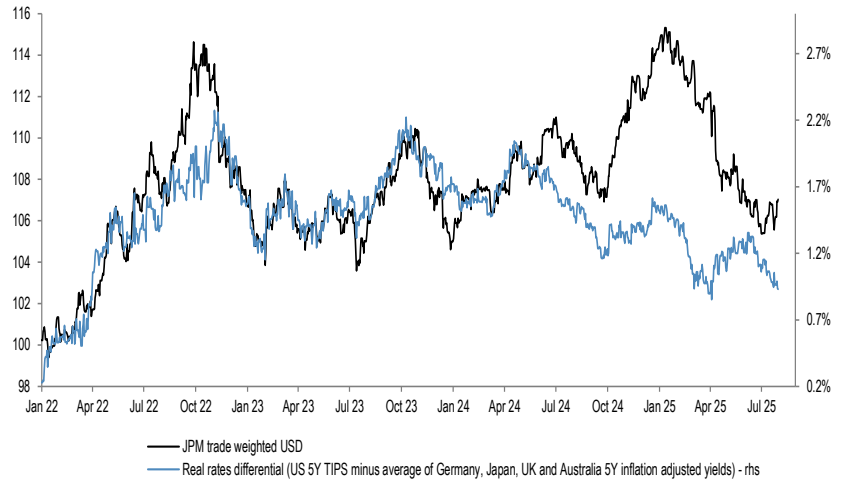
Source: Bloomberg Finance L.P.

USD net positioning



Source: J.P. Morgan

USD and real rates differential

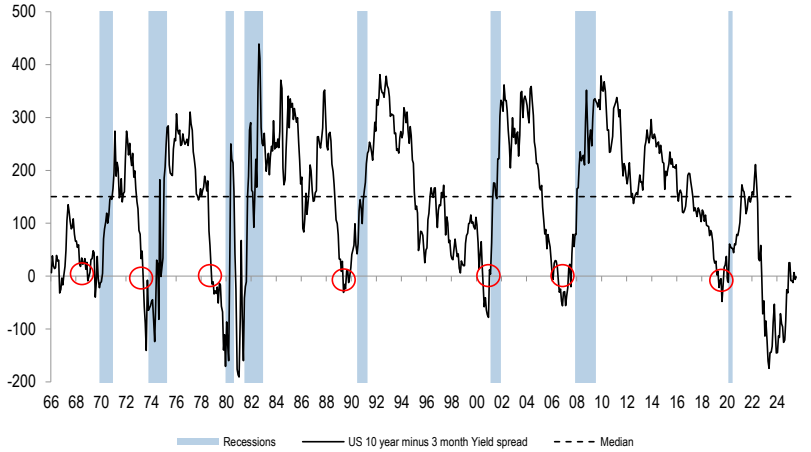


Source: Bloomberg Finance L.P. * US 5Y TIPS minus average of Germany, Japan, UK and Australia 5Y inflation adjusted yields

Past soft landings have never been preceded by an inverted yield curve

- The US 10Y/2Y yield curve has steepened of late, but all prior inversions were followed by a recession.
- US 10Y/3M yield spread has steepened from an inverted state, which always happens entering a recession.

US 10Y-3M yield curve



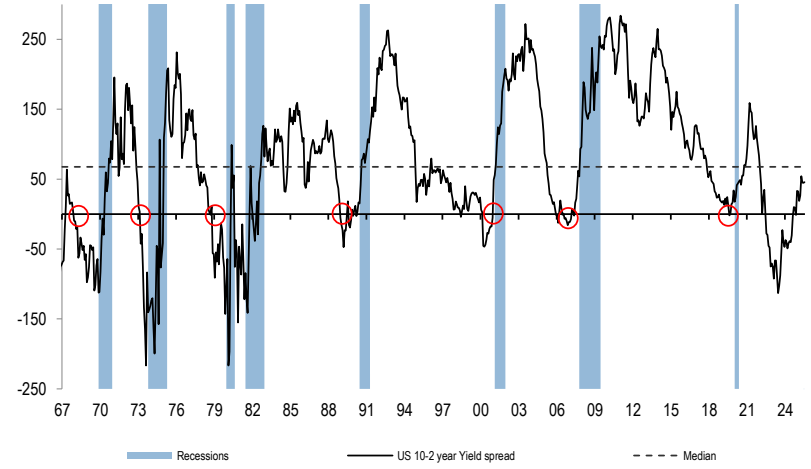
Source: Bloomberg Finance L.P.

SPX move from yield curve inversion to the market peak

	# months between			
Yield Curve inversion date (10-2Y)	Yield curve inversion & SPX peak	SPX peak & recession	Yield curve inversion & recession	SPX move from YC inversion to SPX peak*
Dec-67	11	13	24	14%
Mar-73	-2	10	8	-4%
Aug-78	18	-1	17	13%
Dec-88	19	0	19	34%
Feb-00	2	12	13	8%
Jan-06	20	2	23	22%
Aug-19	6	0	6	18%
Median	**11**	**2**	**17**	**14%**
Average	**11**	**5**	**16**	**15%**

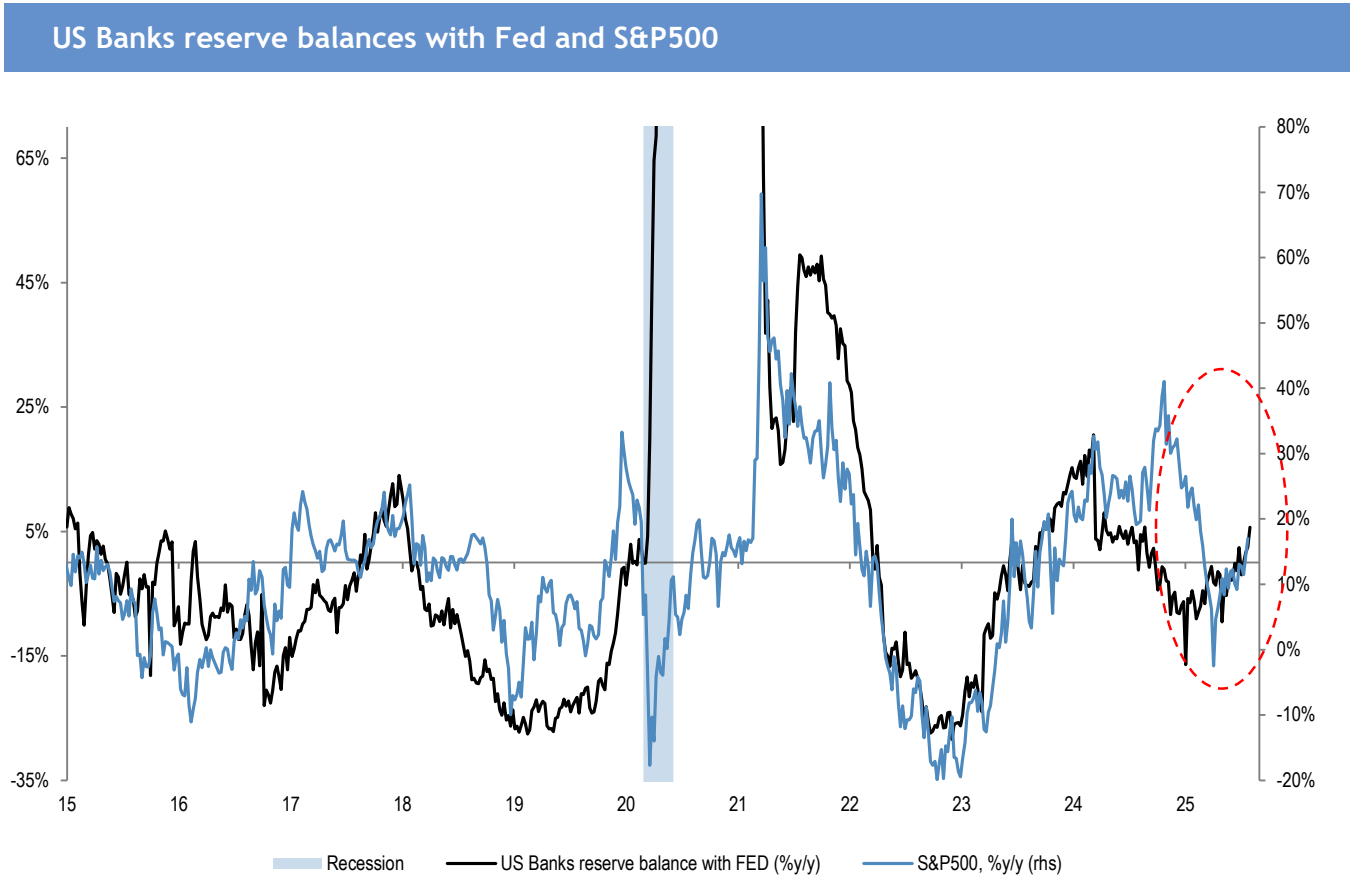
Source: Bloomberg Finance L.P.

US 10Y-2Y yield curve



Source: Bloomberg Finance L.P.

The ultimate impact from Fed cuts will depend on liquidity outcome, in addition to the growth delivery



Source: Bloomberg Finance L.P.

3) Earnings growth expectations could end up too optimistic…

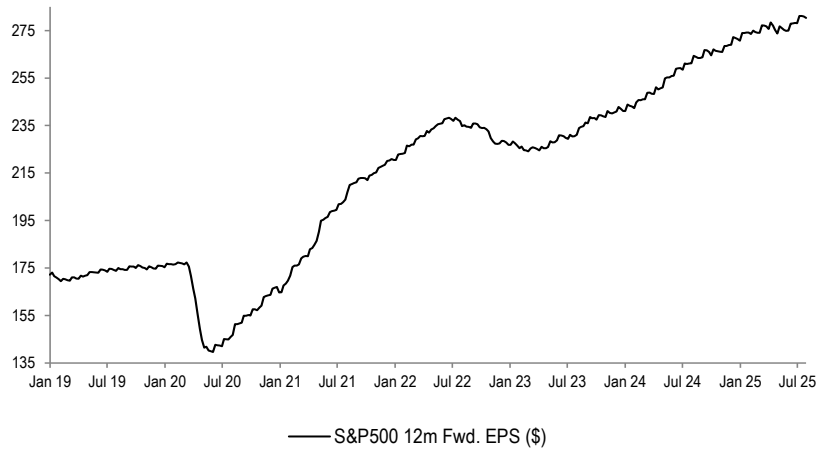
- Earnings have been very resilient over the past few years, taking advantage of rising input costs in order to boost pricing power, and drive higher profit margins.
- Consensus expects EPS growth to stay robust this year. We believe there are downside risks to these earnings projections.

US and Europe EPS Growth consensus projections

	EPS Growth		
	2025e	2026e	2027e
S&P 500	9.9%	13.8%	13.0%
Stoxx 600	2.2%	11.3%	11.3%

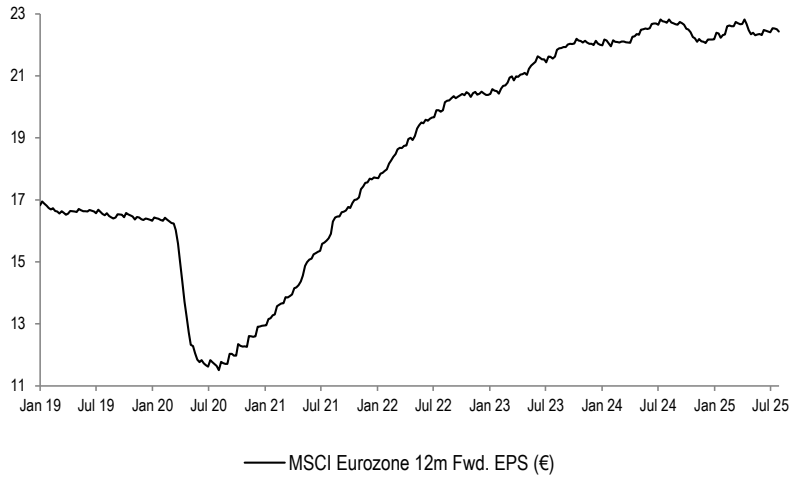
Source: IBES

US 12-month forward EPS



Source: IBES

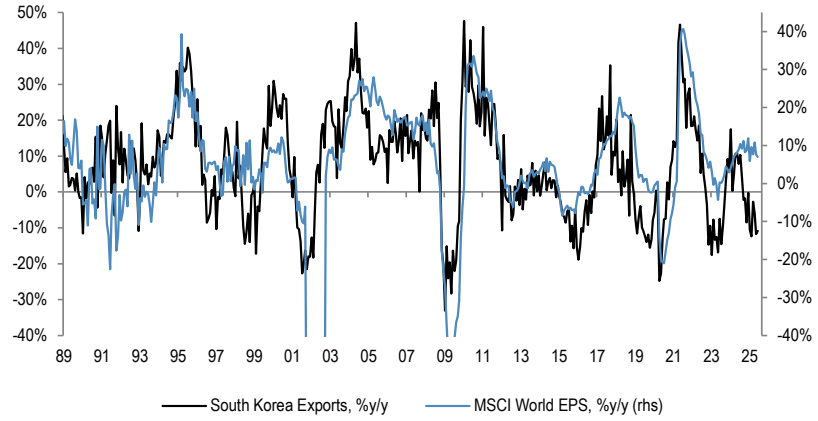
Eurozone 12-month forward EPS



Source: IBES

...EPS revisions need PMIs sustainably above 54 in order to be positive

Korean exports vs global earnings



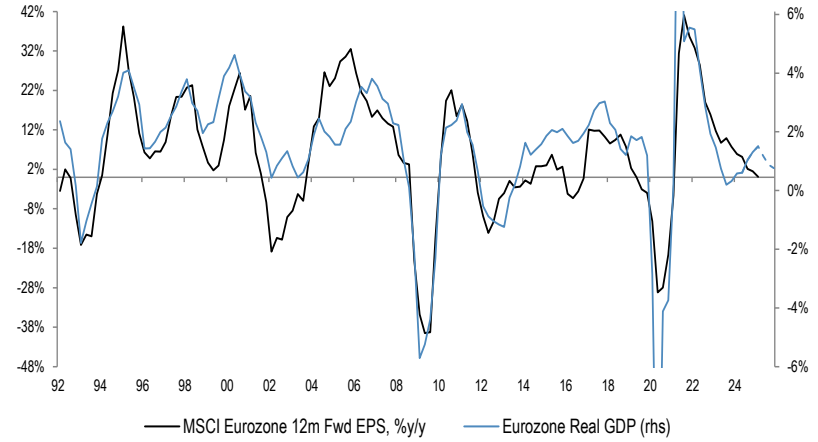
Source: IBES, KOSTAT

Profit margins and EPS growth vs GDP growth regimes

US Real GDP, % y/y	Profit Margins, yoy, bps	S&P 500 EPS %yoy
<-3%	-51	-79%
-3% to -2%	-96	-26%
-2% to -1%	-68	-3%
-1% to 0%	11	-3%
0% to 1%	-29	-13%
1% to 2%	-42	-1%
2% to 3%	17	9%
3% to 4%	59	16%
4% to 5%	24	15%
>5%	85	24%

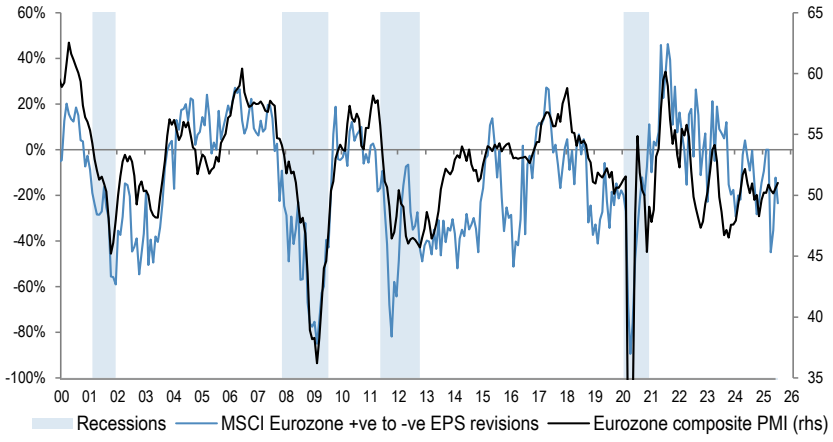
Source: Bloomberg Finance L.P.

Eurozone EPS growth vs GDP growth



Source: IBES, J.P. Morgan

Eurozone EPS revisions and composite PMI



Source: Bloomberg Finance L.P. , S&P Global

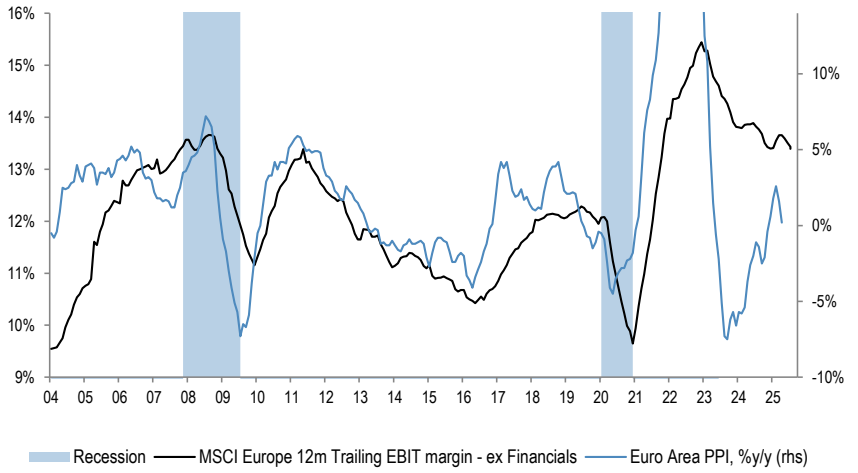
Rising PPIs more than CPIs were not usually a concern for margins, but the opposite is

US profit margins in different PPI and CPI regimes

	US Corporate profits as a % of GDP, vs 4q ago (since 1990)		
	PPIs up more than CPI	PPIs up less than CPI	PPIs down
Average	0.2%	0.3%	-0.3%
Median	0.4%	0.3%	-0.3%

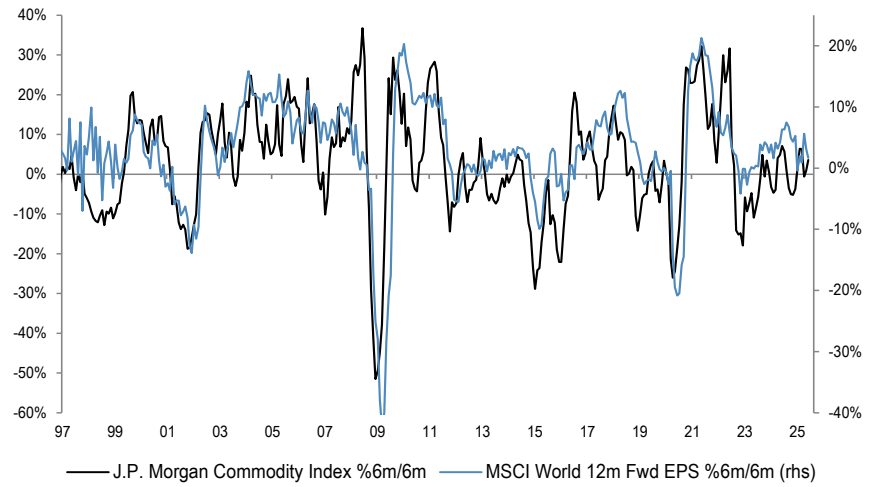
Source: BEA, Bloomberg Finance L.P., J.P. Morgan

Europe profit margins vs PPI



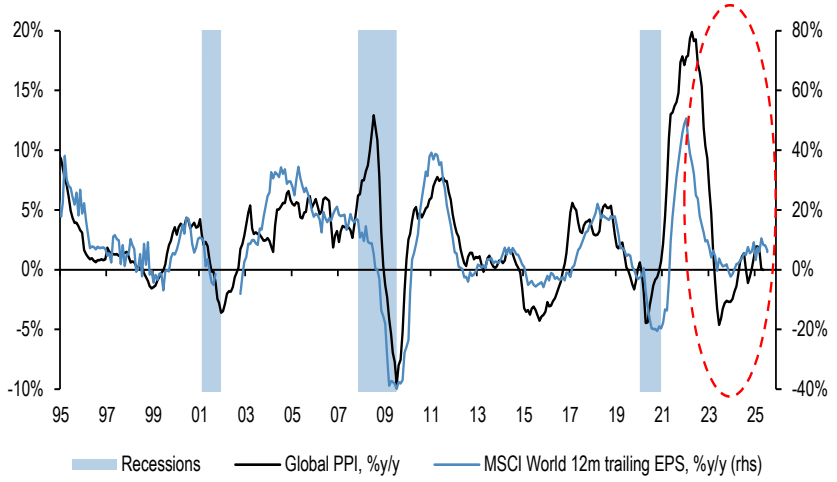
Source: IBES, J.P. Morgan

MSCI World EPS growth and commodity prices



Source: IBES, J.P. Morgan

MSCI World EPS vs global PPI

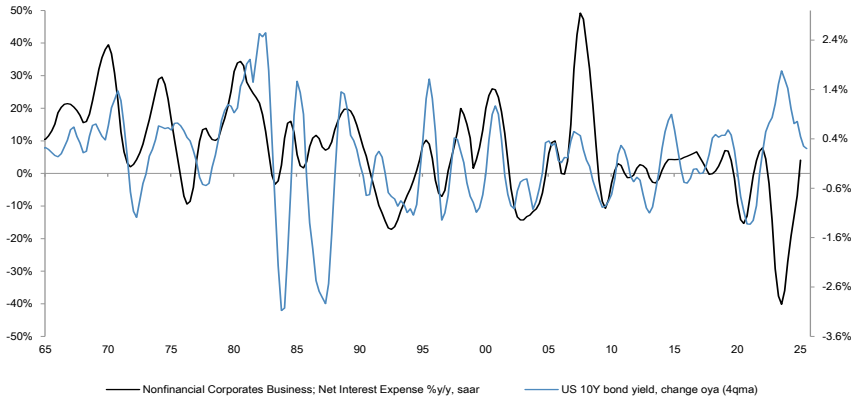


Source: IBES, Bloomberg Finance L.P.

Net interest expense is also likely to be higher going forward

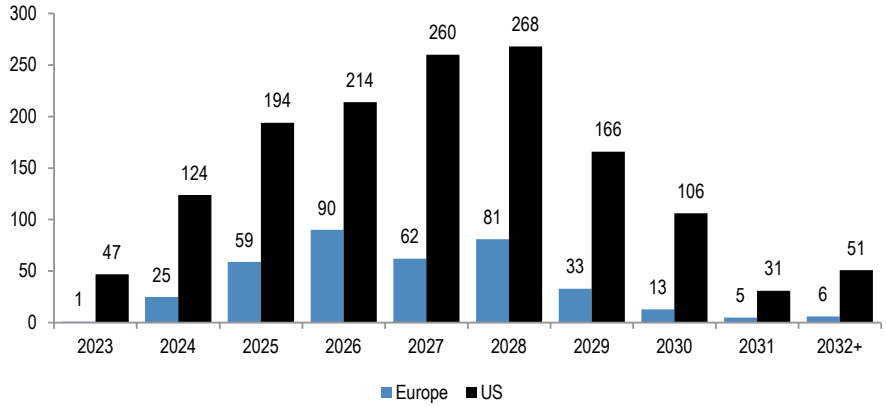
- Many corporates benefitted from the unique feature of this cycle: as interest rates increased 300bp+, the net interest expense came down. That could be explained by companies locking in low cost of financing through extending the duration of their debt, and also through many corporates seeing an improving return on their cash balances.
- Companies will have to roll their debt into higher cost of credit.

Non financial corporates business: Net interest expense Versus US 10Y bond yield



Source: Bloomberg Finance L.P., FRED

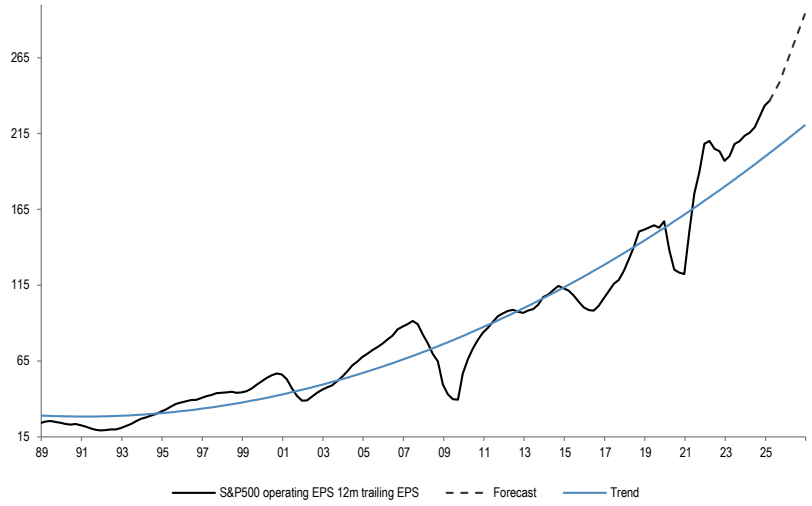
European and US High yield bonds maturity profile



Source: J.P. Morgan Credit Strategy

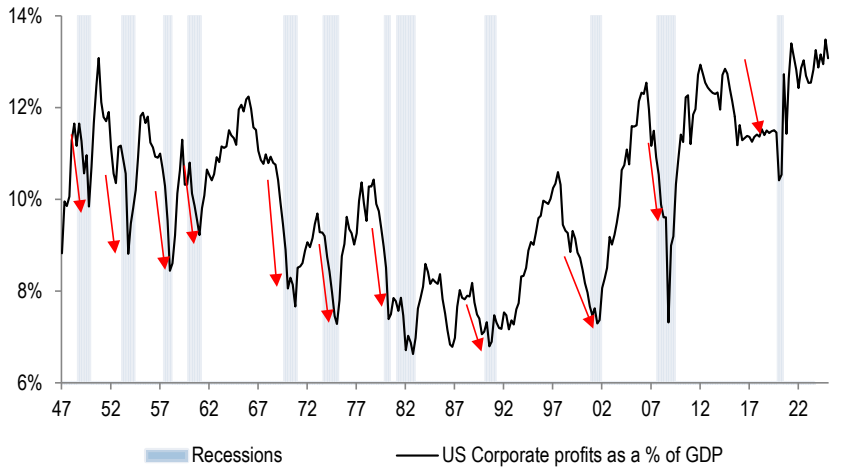
Consensus expects further margin expansion

S&P500 EPS vs trend



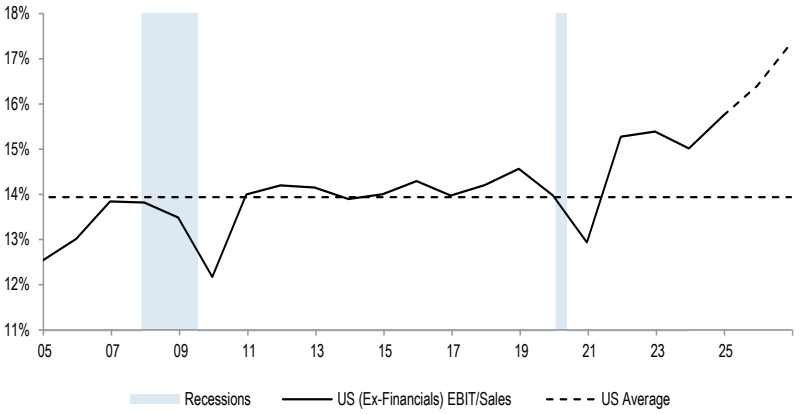
Source: Datastream, S&P Global

US Corporate profits as a % of GDP



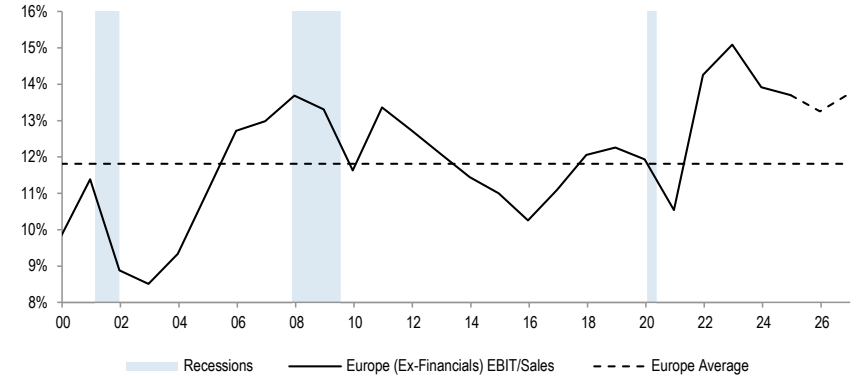
Source: FRED

US EBIT margin - ex Financials



Source: Datastream

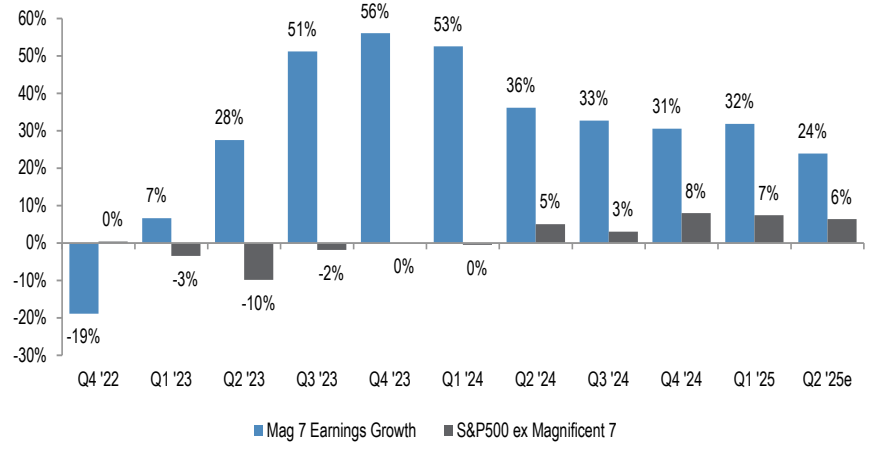
European EBIT margin - ex Financials



Source: Datastream

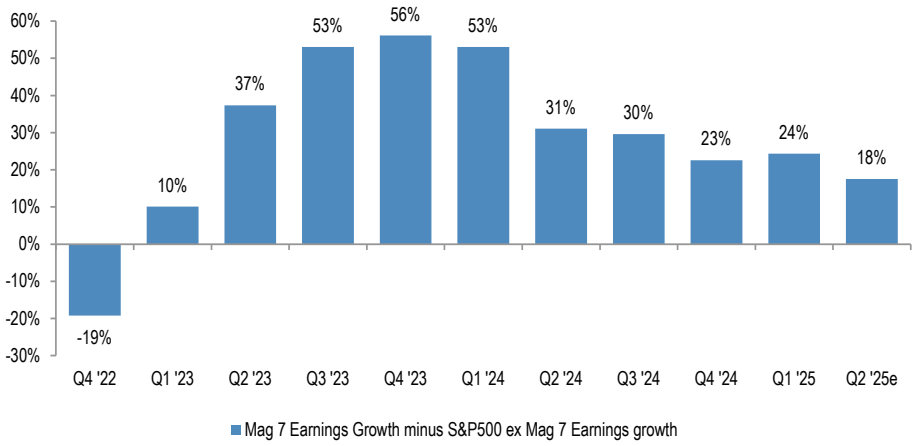
The spread between Mag-7 and S&P 500 EPS growth ex Mag-7 is narrowing

Mag 7 and SPX ex Mag 7 Earnings growth



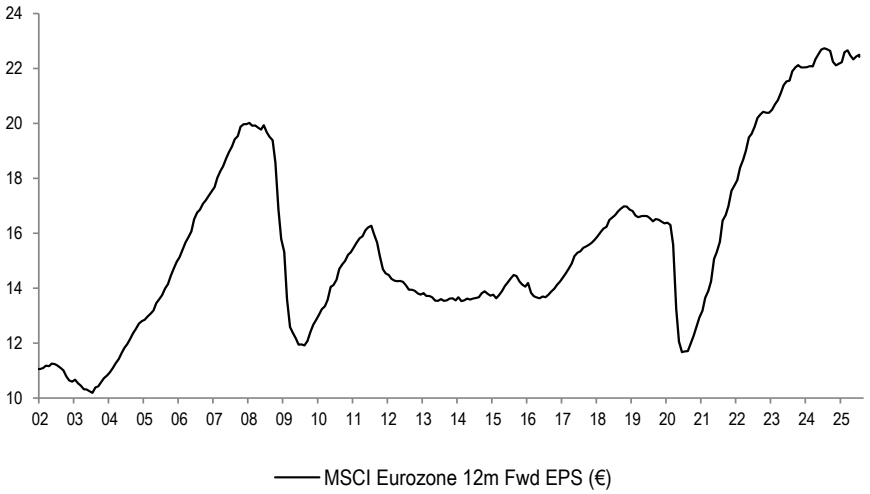
Source: Bloomberg Finance L.P., J.P.Morgan

Mag-7 Earnings Growth minus S&P500 ex Mag-7 Earnings growth



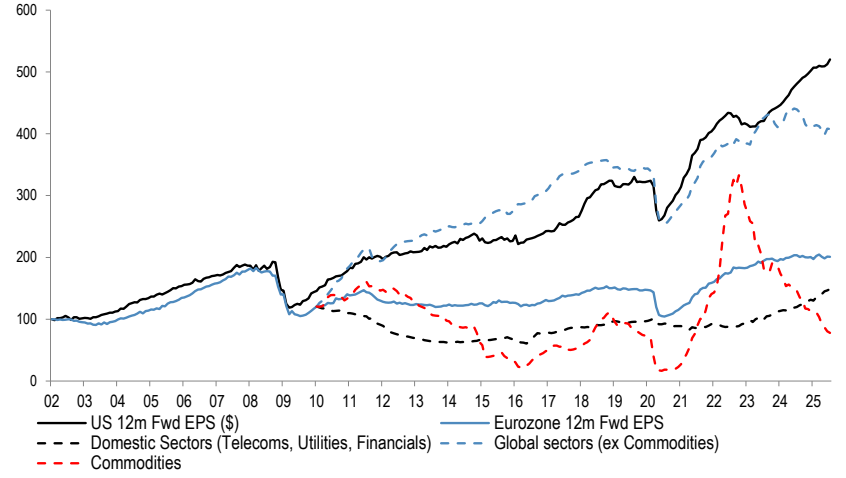
Source: Bloomberg Finance L.P., J.P.Morgan

MSCI Eurozone 12m Fwd EPS



Source: IBES

US earnings vs Eurozone earnings, broken down by domestic, global and commodity sectors



Source: IBES. *Global includes all sectors except Utilities, Telecoms, Financials and commodity sectors

The earnings downside in past recessions was material

- Earnings declines in past recessions were very significant. Eurozone 12m Fwd EPS fell by 28% on average during the last five recessions.

Changes in Eurozone equities, earnings and GDP during past recessions

Recession	Peak in MSCI Eurozone	Trough In MSCI Eurozone	MSCI Eurozone peak to trough move	12m Fwd P/E at MSCI Eurozone trough	12m Fwd P/E at trough - Eurozone vs US	Peak in MSCI Eurozone Fwd. EPS	Trough In MSCI Eurozone Fwd. EPS	MSCI Eurozone Fwd. EPS peak to trough move	Peak to Trough - MSCI Eurozone actual EPS	MSCI Eurozone actual EPS peak to trough move	Peak in Euro Area real GDP	Trough in Euro Area real GDP	Euro Area real GDP peak to trough move
1990	Jul-90	Jan-91	-29%	9.7	0.87	Feb-92	May-93	-27%	'89 - '93	-55%	Q1 '92	Q1' 93	-1.8%
2001	Mar-00	Mar-03	-64%	11.1	0.76	Oct-01	May-03	-21%	'00 - '02	-31%	Q4 '02	Q1' 03	-0.3%
2008	Jun-07	Mar-09	-62%	7.5	0.72	Mar-08	May-09	-42%	'06 - '09	-43%	Q1 '08	Q2 '09	-5.7%
2012	Feb-11	Sep-11	-32%	7.4	0.72	Jun-11	May-13	-20%	'10 - '13	-29%	Q3 '11	Q1' 13	-1.8%
2020	Feb-20	Mar-20	-38%	9.6	0.73	Mar-20	Jul-20	-30%	'19 - '20	-35%	Q4 '19	Q2 '20	-14.7%
Average			**-45%**	**9.0**	**0.76**			-28%		**-39%**			**-4.9%**

Source: Bloomberg Finance L.P., S&P Global

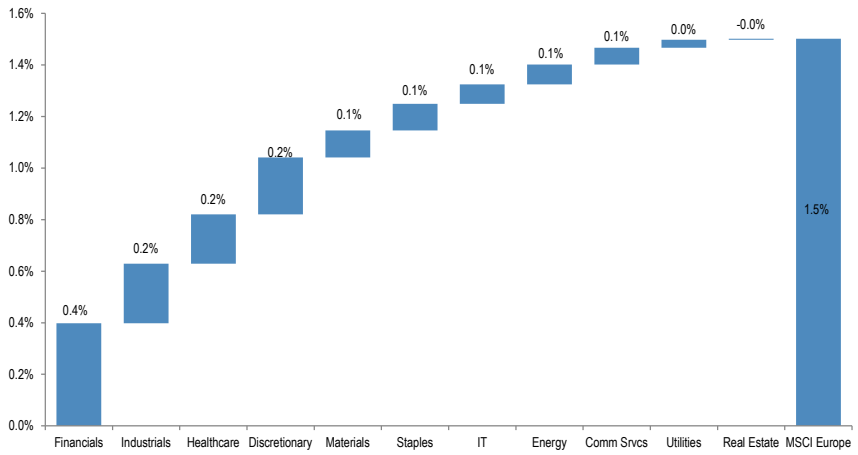
Sector earnings contribution breakdown

Regional and sectoral EPS growth projections for 2025 and 2026

	MSCI World		US		Europe		Eurozone		UK		Japan*		EM	
	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e
Market	**7.0%**	**13.0%**	**10.2%**	**14.2%**	**1.5%**	**11.6%**	**1.3%**	**11.8%**	**1.5%**	**11.8%**	**0.6%**	**12.8%**	**10.5%**	**13.1%**
Energy	-11.6%	13.4%	-11.9%	18.6%	-12.6%	9.1%	-12.7%	8.2%	-12.2%	10.6%	-24.1%	32.0%	1.6%	1.9%
Materials	0.5%	14.6%	4.1%	16.5%	-5.6%	15.6%	3.9%	16.2%	-11.3%	17.7%	2.6%	26.3%	53.3%	17.9%
Industrials	6.9%	13.9%	11.3%	16.1%	6.4%	13.4%	10.8%	14.0%	8.9%	12.9%	-3.6%	9.0%	7.6%	10.9%
Discretionary	-2.2%	18.0%	2.6%	15.4%	-7.2%	22.6%	-9.8%	25.0%	11.5%	11.9%	-13.1%	23.2%	-0.1%	19.1%
Staples	0.6%	8.2%	0.5%	7.7%	-2.1%	8.2%	1.8%	8.6%	-3.2%	7.6%	25.0%	11.3%	8.9%	10.4%
Healthcare	12.5%	11.1%	13.7%	11.0%	9.0%	10.7%	8.9%	11.8%	6.9%	12.2%	19.5%	15.2%	21.6%	24.3%
Financials	6.3%	10.6%	7.5%	12.5%	4.3%	10.1%	0.8%	8.2%	8.9%	12.7%	7.3%	8.2%	3.6%	8.7%
IT	18.4%	18.7%	19.4%	19.3%	5.9%	14.6%	7.8%	16.2%	10.3%	11.0%	15.9%	11.5%	23.6%	18.1%
Telecoms	15.6%	10.7%	18.7%	9.7%	-0.7%	15.3%	-0.8%	15.0%	-1.7%	7.7%	-0.9%	15.5%	14.5%	13.5%
Utilities	2.7%	6.0%	4.5%	8.7%	0.3%	4.8%	0.8%	1.1%	4.7%	13.7%	-8.0%	-15.0%	14.1%	13.6%
Real Estate	2.2%	10.7%	-0.4%	14.3%	12.1%	3.6%	13.5%	2.8%	4.4%	5.3%	1.4%	9.2%	11.7%	19.7%
Median	**7.3%**	**10.7%**	**7.7%**	**11.3%**	**4.7%**	**10.9%**	**4.3%**	**11.2%**	**5.1%**	**9.9%**	**10.5%**	**7.9%**	**11.5%**	**13.4%**
Median ex-commo	**7.7%**	**10.5%**	**8.2%**	**11.1%**	**5.2%**	**10.5%**	**4.8%**	**11.0%**	**5.9%**	**9.1%**	**10.9%**	**7.9%**	**11.7%**	**12.9%**
Median - Cyclicals	**7.9%**	**12.2%**	**7.7%**	**12.2%**	**3.7%**	**13.2%**	**3.9%**	**16.5%**	**5.5%**	**10.3%**	**11.3%**	**6.8%**	**16.2%**	**19.7%**
Median - Defensives	**5.5%**	**9.0%**	**5.7%**	**8.1%**	**5.3%**	**10.7%**	**5.6%**	**9.8%**	**4.9%**	**9.5%**	**3.5%**	**10.8%**	**9.9%**	**10.7%**

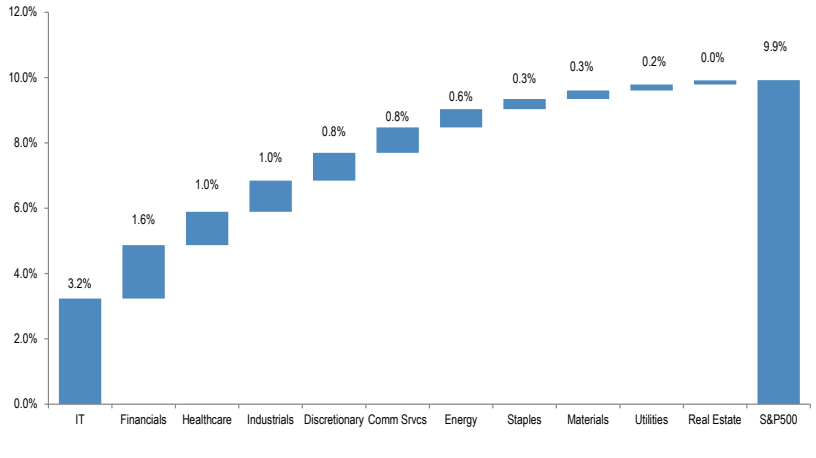
Source: IBES, *Japan refers to fiscal year ending March 2026, 2027

Sector contribution to MSCI Europe 2025e EPS growth



Sector contribution to MSCI Europe 2025e EPS growth

Sector contribution to S&P500 2025e EPS growth



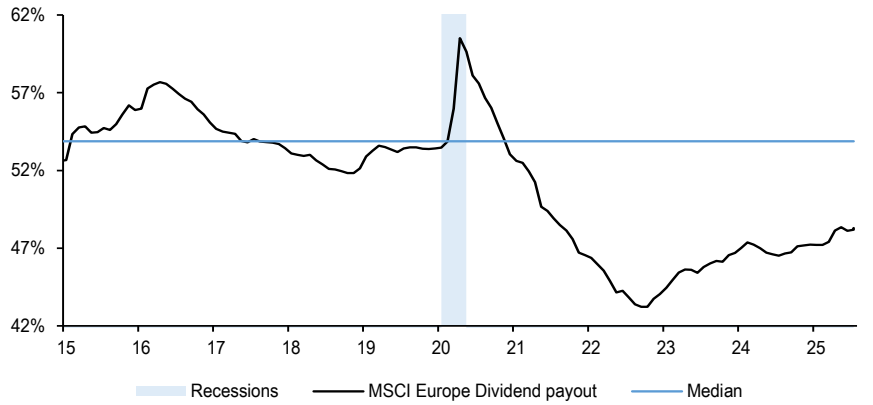
Sector contribution to S&P500 2025e EPS growth

Source: IBES

Buyback activity has been robust… dividend payout ratios are low, supportive of higher dividends

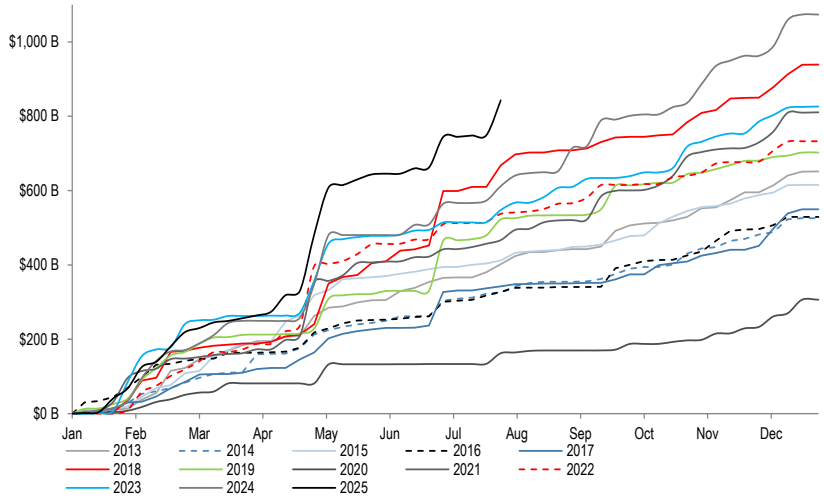
- We have seen very strong momentum in buyback announcements last two years.
- Buybacks as a share of profits are still low.
- Dividend payout ratios are low, too.

MSCI Europe dividend payout ratio



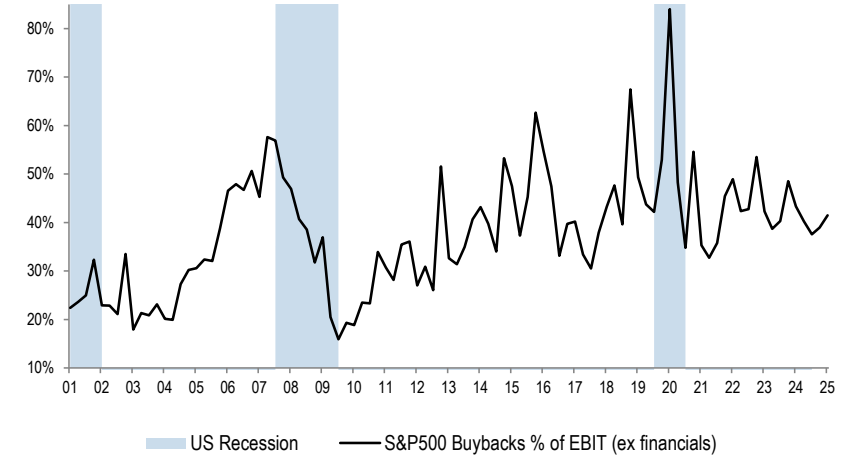
Source: IBES

S&P500 announced buybacks



Source: Bloomberg Finance L.P., J.P. Morgan

S&P500 buybacks as a % of EBIT



Source: Bloomberg Finance L.P.

4) Equity P/E multiples generally do not offer much of a cushion, the US is stretched in particular… SPX at 23x P/E is far away from pricing caution…

12m Fwd. P/E across key geographies

	Current	20Y Median	Current vs Median
Spain	11.7	11.5	1%
UK	12.9	12.1	6%
Italy	12.1	11.4	6%
Japan	15.3	14.2	8%
Switzerland	17.5	16.1	9%
China	12.3	11.1	10%
World ex US	15.4	13.7	12%
EM	13.1	11.6	13%
France	14.8	13.0	14%
Eurozone	14.6	12.8	14%
Germany	15.2	12.4	23%
World	20.3	15.0	35%
US	23.0	16.2	42%

Source: IBES

Fall in MSCI US P/E during past recessions

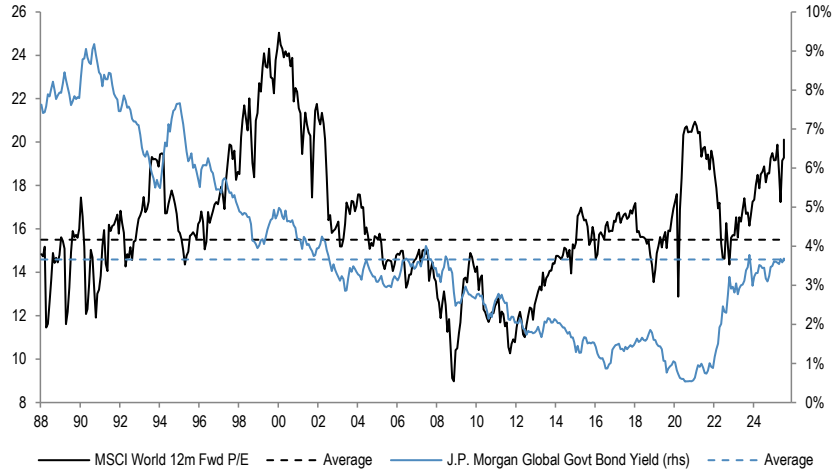
Recession	Market Peak	Market Trough	MSCI US peak to trough move	12m Fwd P/E at MSCI US peak	12m Fwd P/E at MSCI US trough	Move in MSCI US 12m Fwd P/E from peak to trough
1990	Jul-90	Oct-90	-20%	12.8	10.4	-19%
2001	Mar-00	Oct-02	-51%	25.7	13.8	-46%
2008	Oct-07	Mar-09	-56%	15.4	10.4	-32%
2020	Feb-20	Mar-20	-34%	19.6	13.2	-33%
Average			**-40%**			**-33%**

Source: IBES

…DY-BY gap no longer appears attractive

- DY-BY gaps have closed, and reversed, as yields moved higher.
- US P/Es are high considering the rising levels of real bond yields.

Global bond yields and MSCI World 12m Fwd P/E



Source: Datastream, IBES

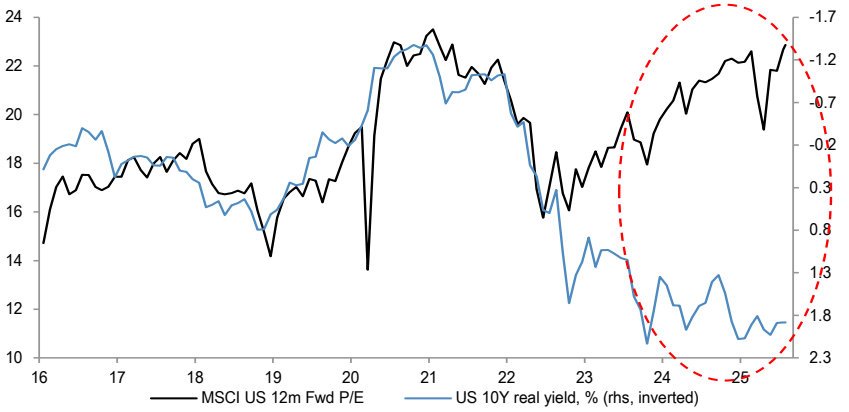
DM yield gap in a historical context

	Dividend yield	10Y Bond yield	Dividend yield minus bond yield	Average since '00	Current vs Average (bp)
US	1.2%	4.3%	-3.1%	-1.5%	-165
Japan	2.2%	1.6%	0.7%	0.9%	-24
Eurozone	3.0%	3.0%	0.0%	0.4%	-44
UK	3.3%	4.6%	-1.3%	0.5%	-176

*Current as of 29th Jul '25

Source: Datastream

US 12m Fwd. P/E vs US real yield

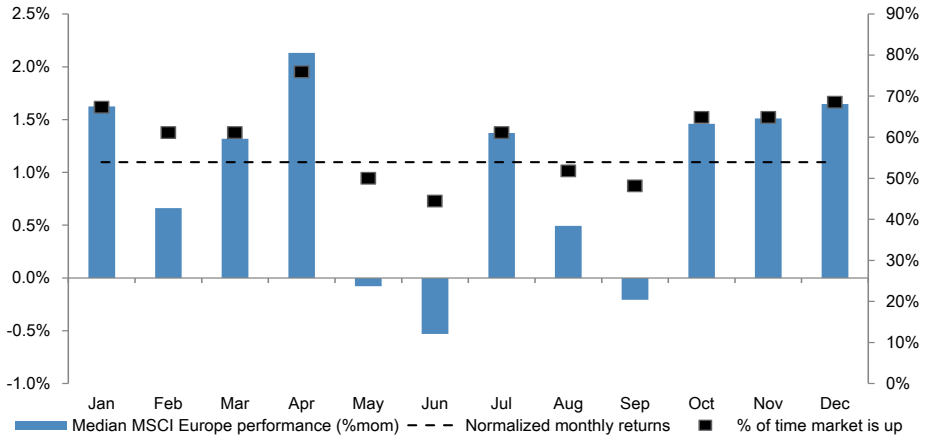


Source: Datastream

5) Seasonals are typically mixed in summer… positioning is low vs 6 months ago, but not in the longer-term context

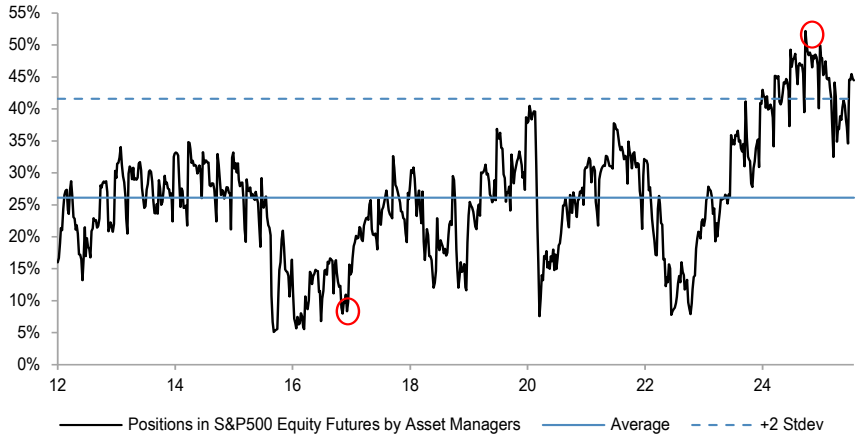
- Seasonals are typically mixed in the summer months.
- Asset manager positioning on US equities is lower than it was in January, but still above historical averages.

Seasonality* of MSCI Europe performance



Source: Datastream, *Median since 1970

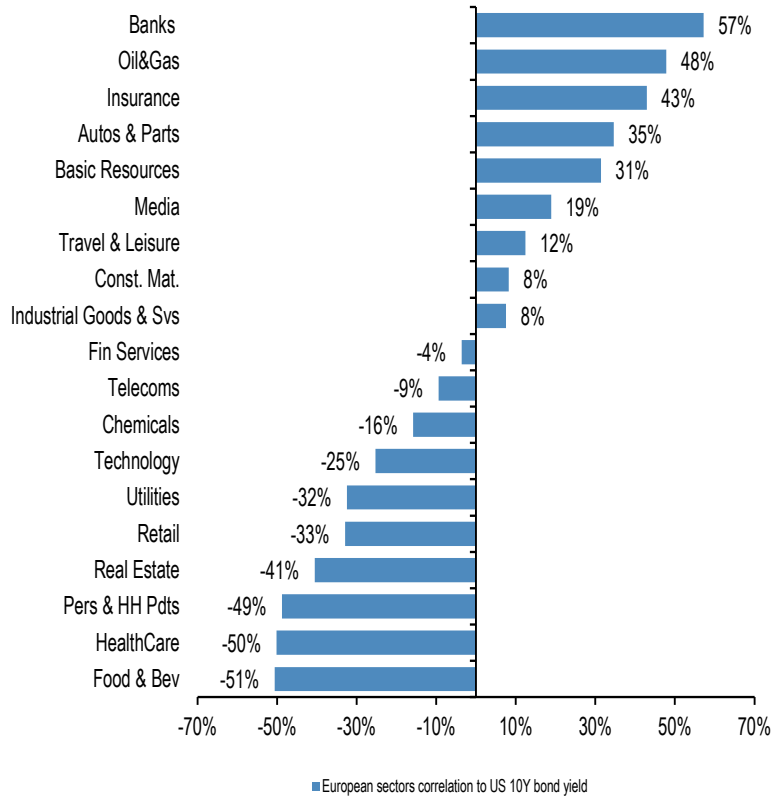
Positions in S&P500 Equity futures by Asset Managers



Source: Bloomberg Finance L.P.

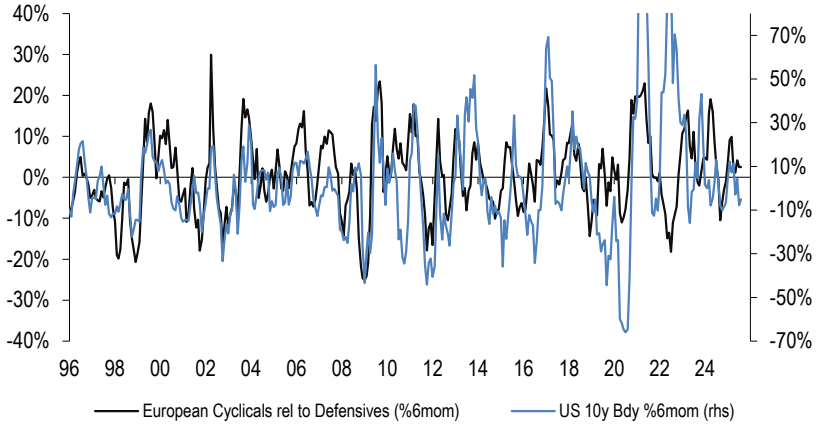
Key drivers of sector performance: 1) Bond yields… Cyclicals and Financials typically show positive correlation to yields

European sectors correlation to bond yields



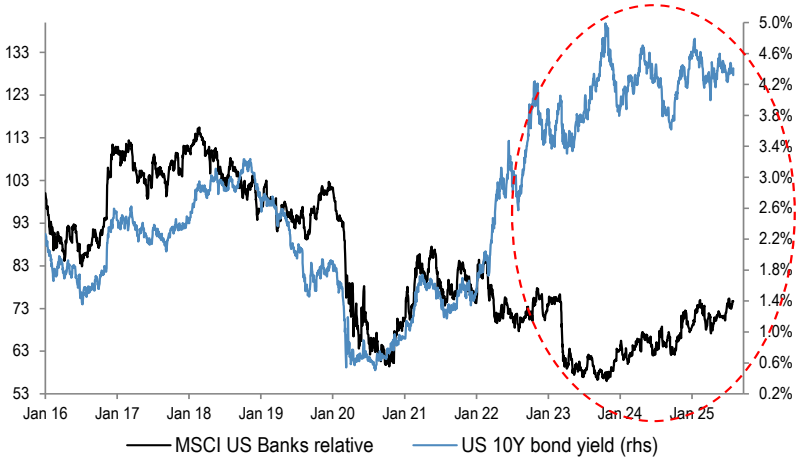
Source: Bloomberg Finance L.P.

European Cyclicals versus Defensives and bond yields



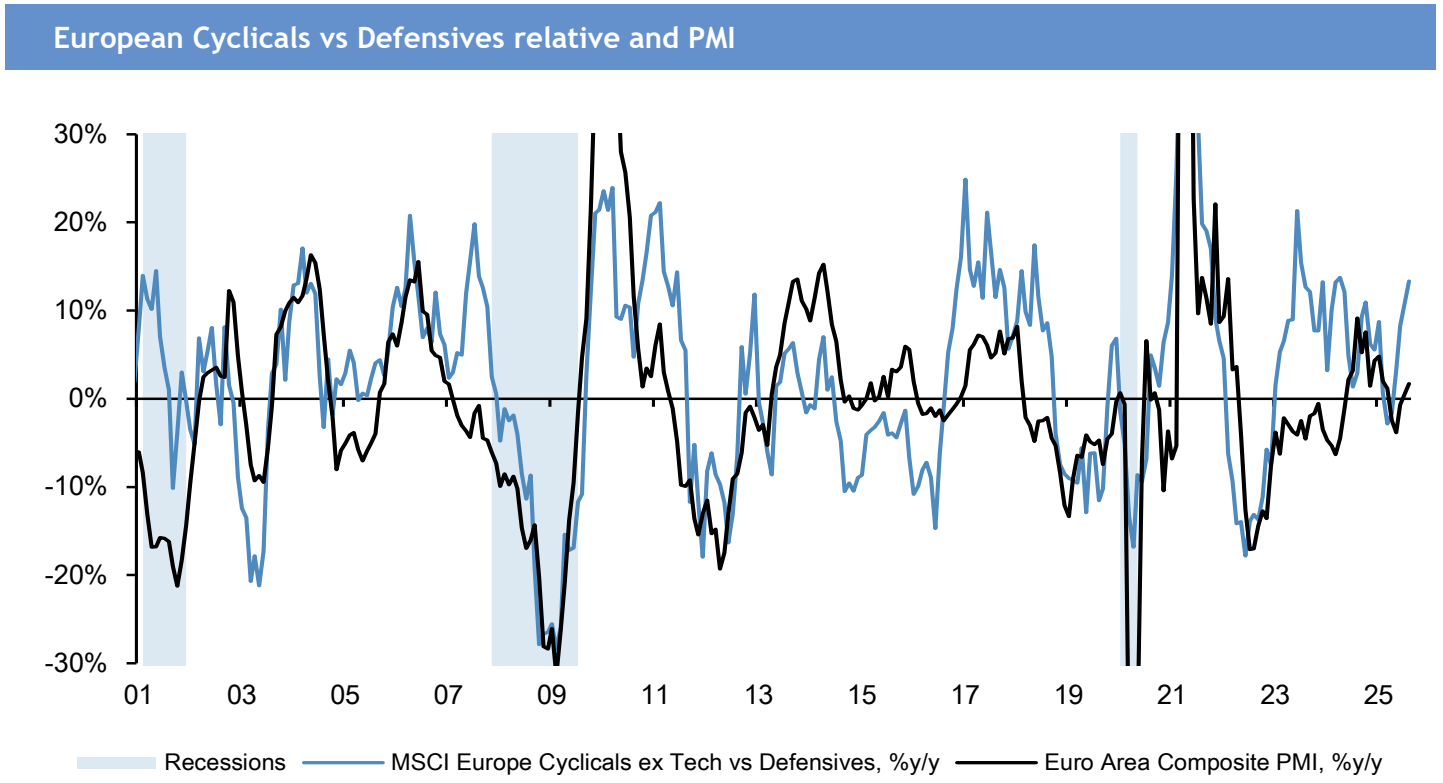
Source: Datastream

US Banks relative vs US 10-year yield



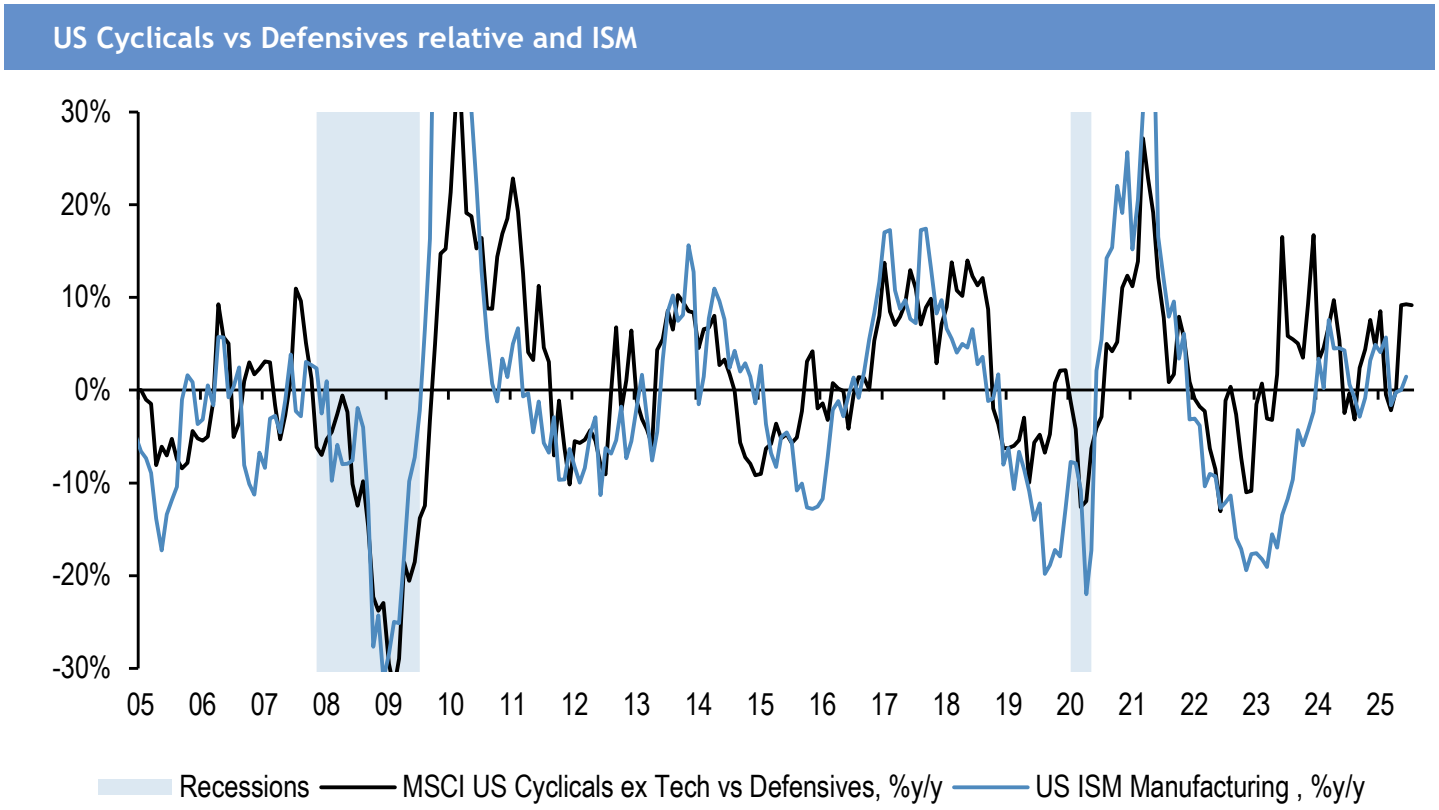
Source: Datastream

Cyclicals vs Defensives and PMIs in Europe…



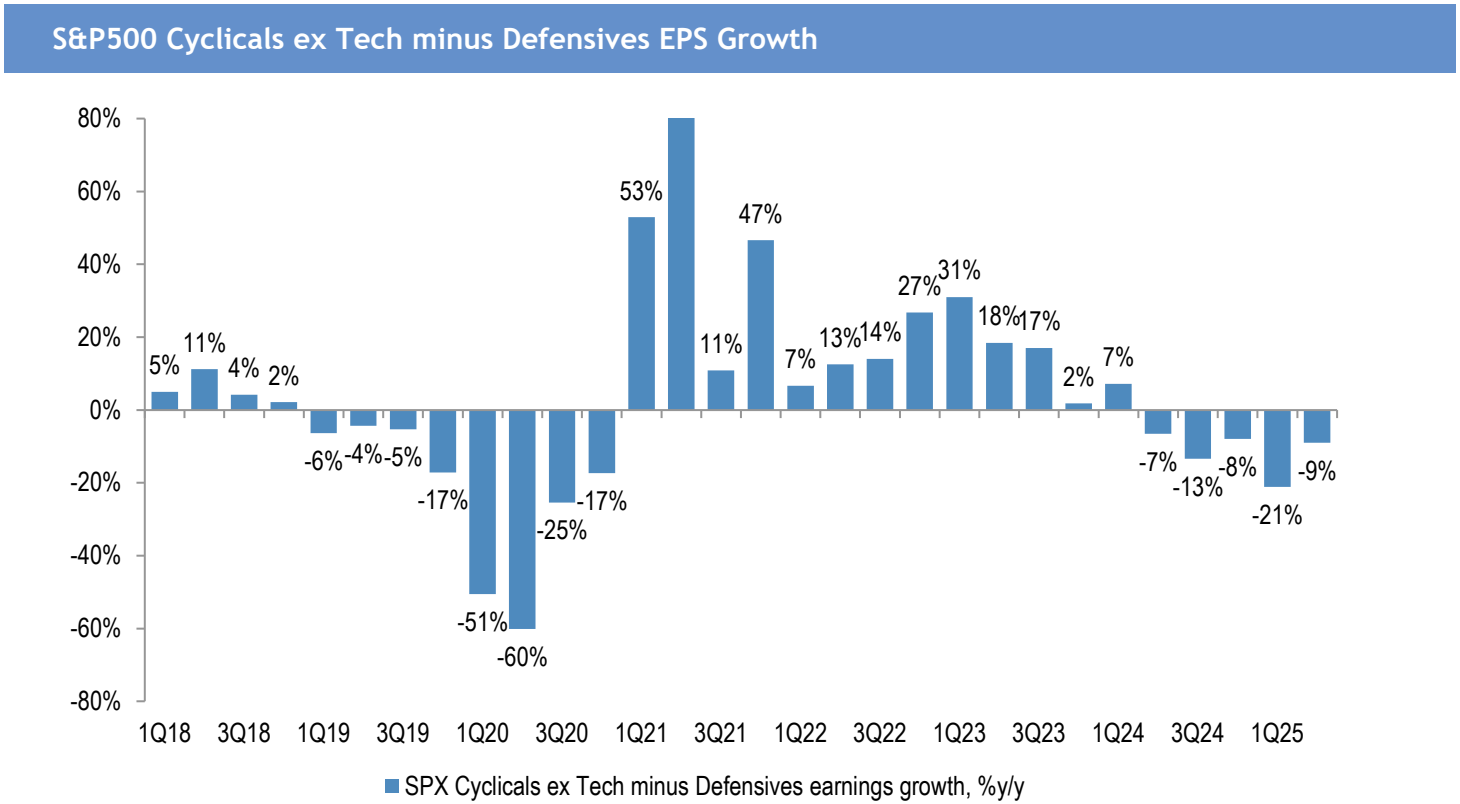
Source: IBES, Datastream

…and in the US…



Source: IBES, Datastream

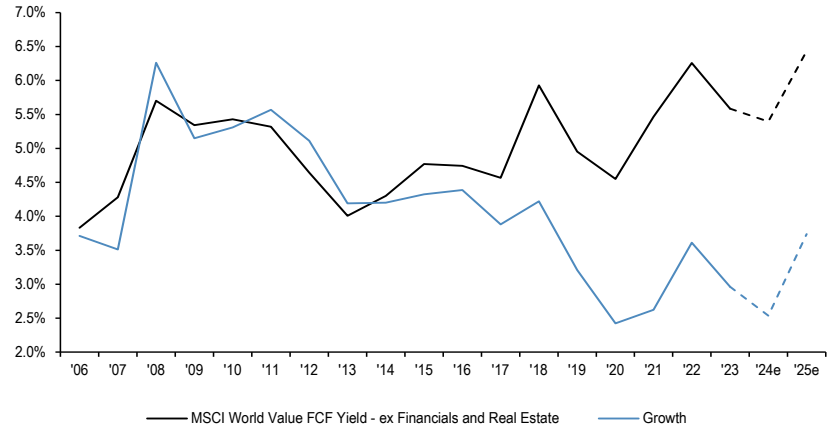
…the earnings of Defensive sectors have been better vs Cyclicals in recent quarters



Source: Bloomberg Finance L.P.

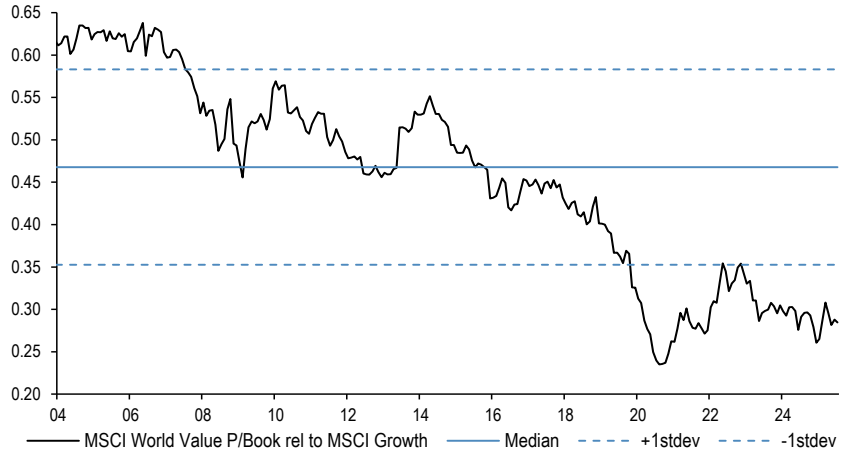
Concentration risk is high… we have in July ’24 neutralised OW Growth vs Value view, but are not outright buying Value yet

MSCI World Value and Growth FCF yield



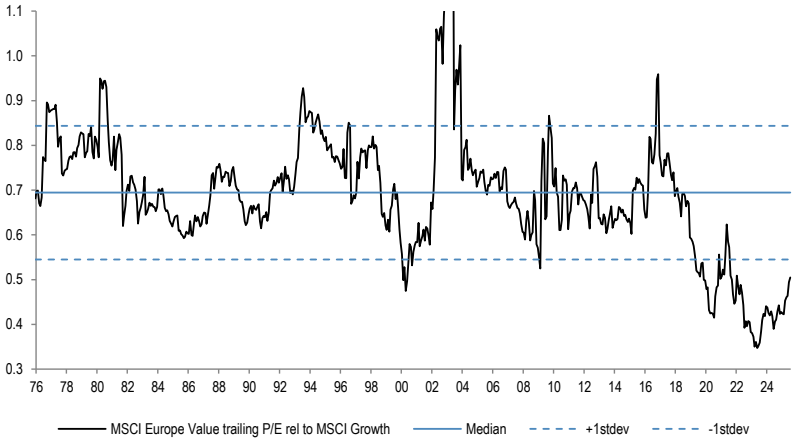
Source: Datastream

MSCI World Value vs Growth P/Book



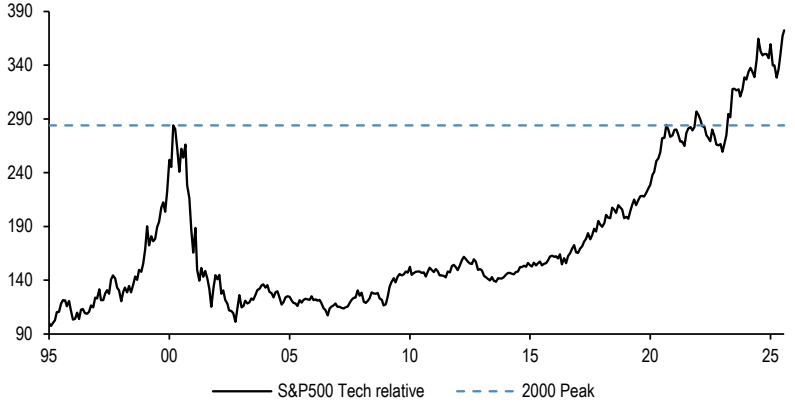
Source: Datastream

MSCI Europe Value vs Growth P/E



Source: Datastream

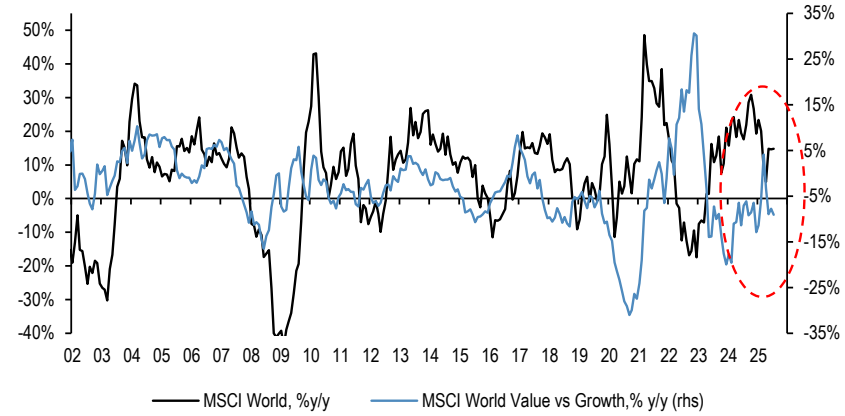
S&P500 Tech relative



Source: Datastream

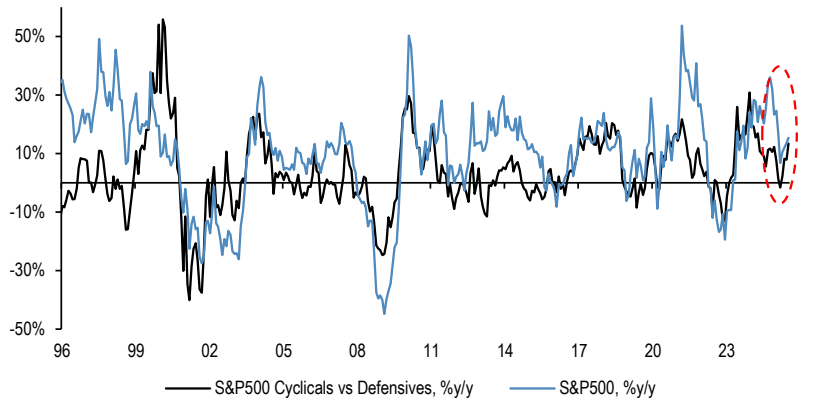
Growth style is a large part of market cap, but notably market direction and Cyclicals/Value leadership are typically positively correlated

MSCI World and MSCI World Value vs Growth



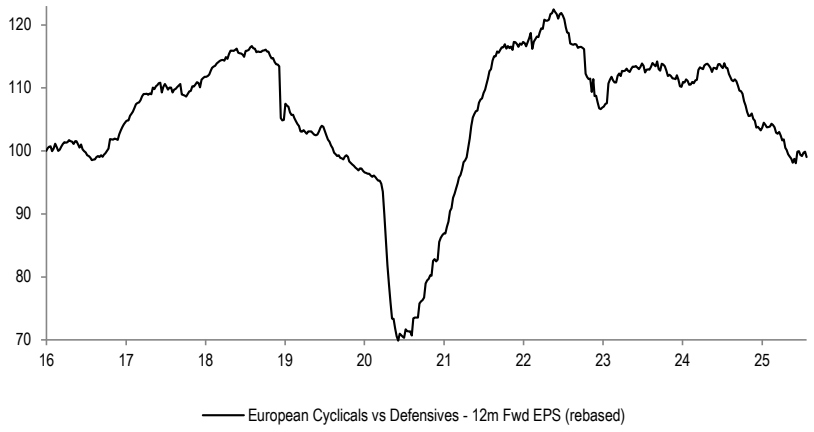
Source: Datastream

S&P500 Cyclicals vs Defensives and market



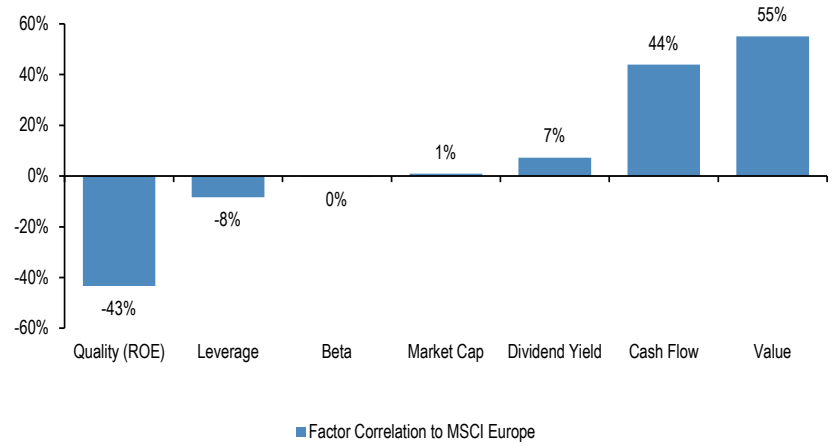
Source: Datastream

European Cyclicals vs Defensives forward EPS relative



Source: Datastream

Factor performance correlation to market



Source: Datastream, J.P. Morgan

2) USD direction matters for regional calls, in particular for EM equities, and for commodities… equities typically preferred falling USD

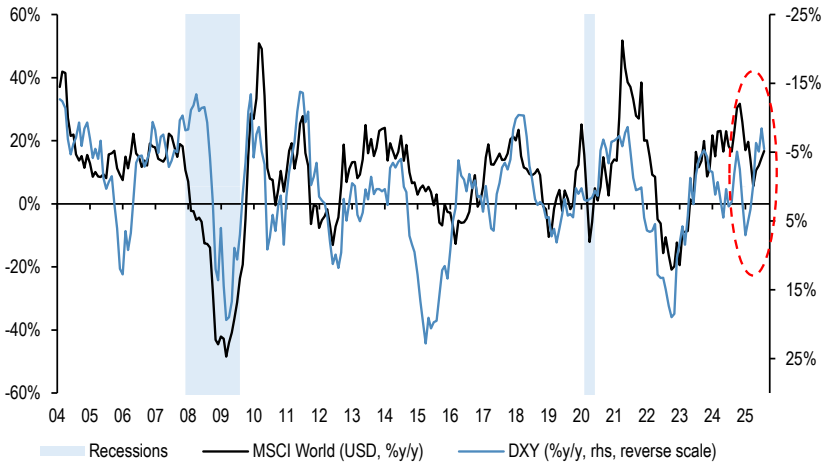
- Historically, equities did better in weaker USD regimes, especially the EMs.
- Commodities are inversely correlated to the USD.

MSCI World performance in different DXY regimes

	MSCI World ($) monthly performance since '10	
	DXY up	DXY down
Average	-1.0%	2.7%
Median	-0.2%	2.5%
% positive	44%	79%

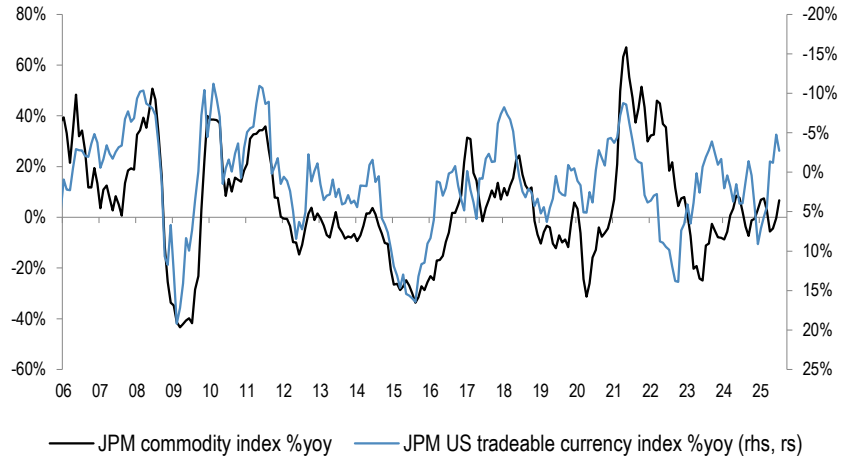
Source: Bloomberg Finance L.P.

MSCI World performance and DXY



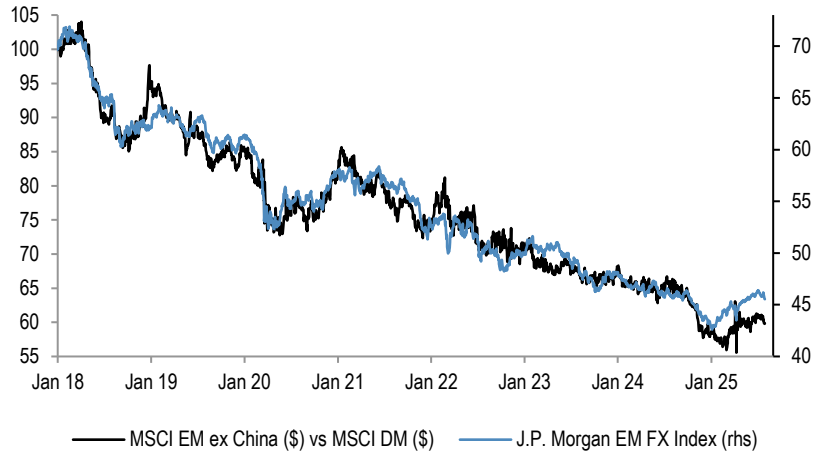
Source: Bloomberg Finance L.P.

Commodity index and trade-weighted USD



Source: Bloomberg Finance L.P., J.P.Morgan

MSCI EM ex China vs DM and EM FX

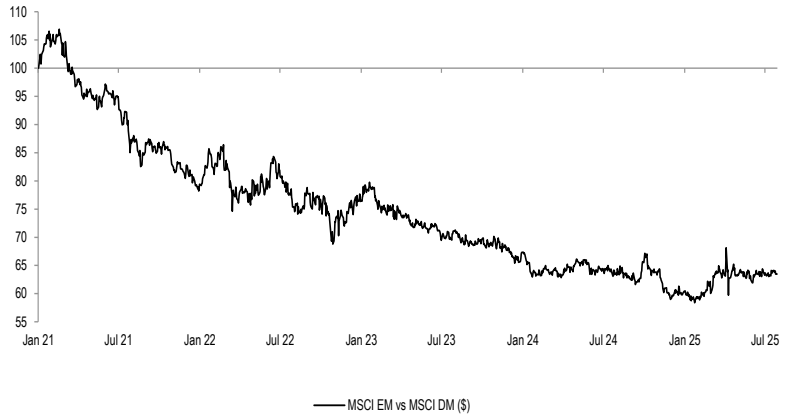


Source: Bloomberg Finance L.P.

Regional Allocation: 1) OW EM vs DM – we believe EM will do better this year, after our multi year cautious stance…

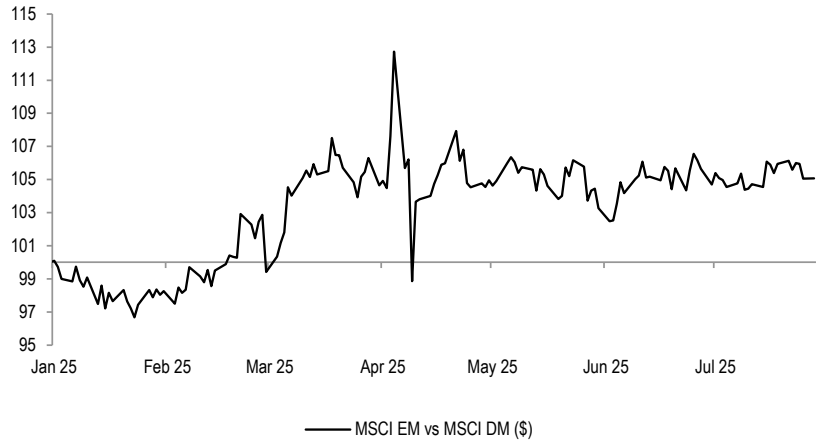
- EM equities had 4 consecutive years of underperformance relative to DM, underperforming cumulatively by 40% since 2021. This is true ex-China as well. We took advantage of this multi-year underperformance to upgrade EM to outright OW in May, this follows our upgrade to Neutral back in March. EM are trading better so far this year, up 17%, vs DM at +11% ytd.

MSCI EM vs DM ($) since Jan '21



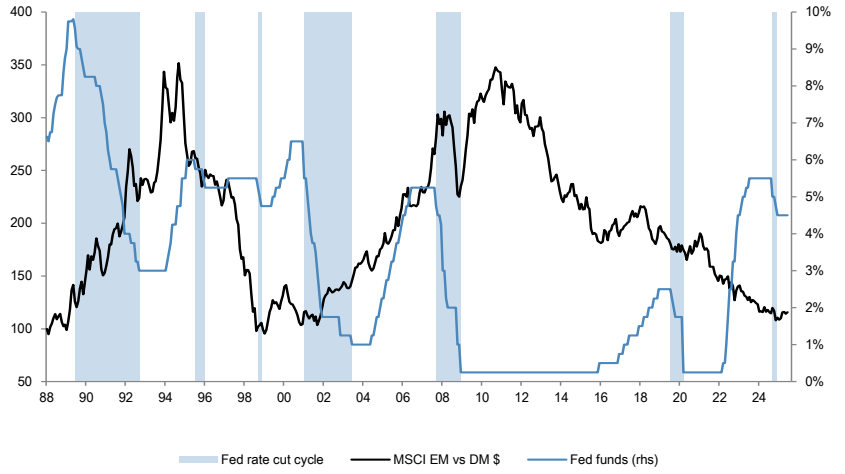
Source: Datastream

MSCI EM ex China vs DM ($) ytd



Source: Datastream

MSCI EM vs DM and Fed funds rate



Source: Datastream

…EM are seeing a supportive monetary policy backdrop

- We note that all the EM Central Banks for which our economists have active forecasts are expected to ease monetary policy, with Czech Republic and India being the exceptions.
- Past EM easing cycles have generally seen EM equities perform better than DM. The Asian currency crisis and Covid were the two times when EM didn't outperform despite central banks easing.

EM Countries Central Bank forecasts

Country	Official interest rate	Current	Last change (bp)	Forecast next change (bp)
Brazil	SELIC O/N	15.00	18 Jun 25 (+25bp)	Dec 25 (-25bp)
Mexico	Repo rate	8.00	27 Jun 25 (-50bp)	7 Aug 25 (-25bp)
Chile	Disc rate	5.00	17 Dec 24 (-25bp)	29 Jul 25 (-25bp)
Colombia	Repo rate	9.25	30 Apr 25 (-25bp)	30 Sep 25 (-25bp)
Peru	Reference	4.50	8 May 25 (-25bp)	9 Sep 25 (-25bp)
Uruguay	Reference	9.25	28 Dec 12 (+25bp)	3Q 14 (-25bp)
Czech Republic	2-wk repo	3.50	7 May 25 (-25bp)	On hold
Hungary	2-wk dep	6.50	24 Sep 24 (-25bp)	Sep 25 (-25bp)
Poland	7-day interv	5.00	2 Jul 25 (-25bp)	Nov 25 (-25bp)
Romania	Base	6.50	7 Aug 24 (-25bp)	May 26 (-25bp)
Russia	Key pol rate	20.00	6 Jun 25 (-100bp)	Jul 25 (-200bp)
South Africa	Repo rate	7.25	29 May 25 (-25bp)	18 Sep 25 (-25bp)
Turkey	Eff. fund. Rate	46.00	17 Apr 25 (+250bp)	24 Jul 25 (-250bp)
China	7-day rev repo	1.40	7 May 25 (-10bp)	4Q 25 (-10bp)
Korea	Base rate	2.50	29 May 25 (-25bp)	Aug 25 (-25bp)
Indonesia	BI rate	5.25	16 Jul 25 (-25bp)	Sep 25 (-25bp)
India	Rev Repo	5.50	6 Jun 25 (-50bp)	On hold
Malaysia	O/N rate	2.75	9 Jul 25 (-25bp)	Nov 25 (-25bp)
Philippines	Rev repo	5.25	19 Jun 25 (-25bp)	Aug 25 (-25bp)
Thailand	1-day repo	1.75	30 Apr 25 (-25bp)	Aug 25 (-25bp)
Taiwan	Official disc.	2.00	21 Mar 24 (+12.5bp)	4Q 25 (-13bp)

Source: J.P. Morgan

MSCI EM vs DM ($) performance during EM rate cutting cycle

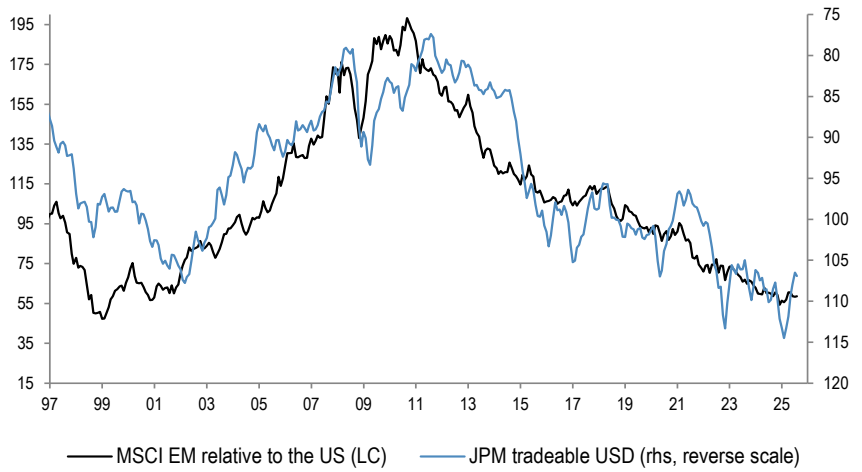
First Cut	Last Cut	MSCI EM vs DM ($)
29-Mar-96	30-Jun-97	-7%
31-Dec-98	31-Jan-00	41%
29-Dec-00	30-Apr-04	56%
30-Sep-08	29-Jan-10	25%
30-Dec-11	31-Jan-13	-2%
31-Dec-14	31-Jan-18	1%
29-Mar-19	30-Apr-20	-10%
Average		15%
Median		1%
Current		5%

Source: Datastream

The direction of USD is key for the EM trade

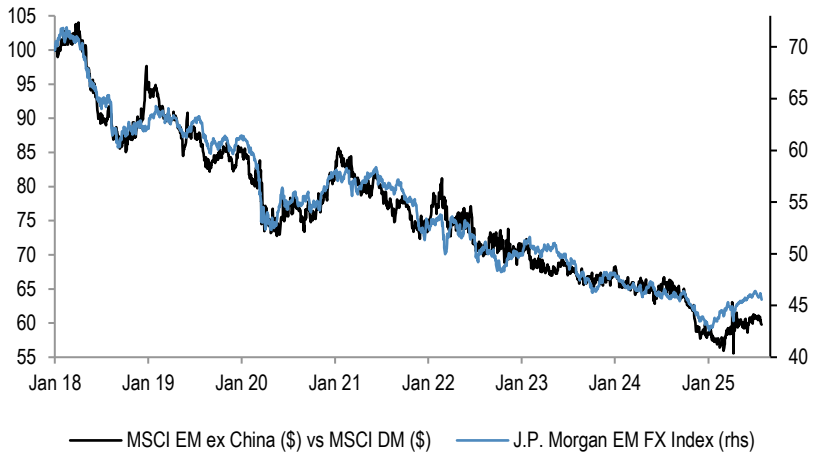
- FX is an important consideration for EM equity performance. EM has historically traded inverse to the USD and should be helped if the dollar stays weak. The US dollar is not performing in the typical risk-off fashion and has in fact weakened on tariff announcements. Any strengthening in EM FX would support the EM trade.
- After persistent downward revisions over the last couple of years, EM vs DM forecast revision index has been on an uptrend recently.

EM relative performance and USD in the long term



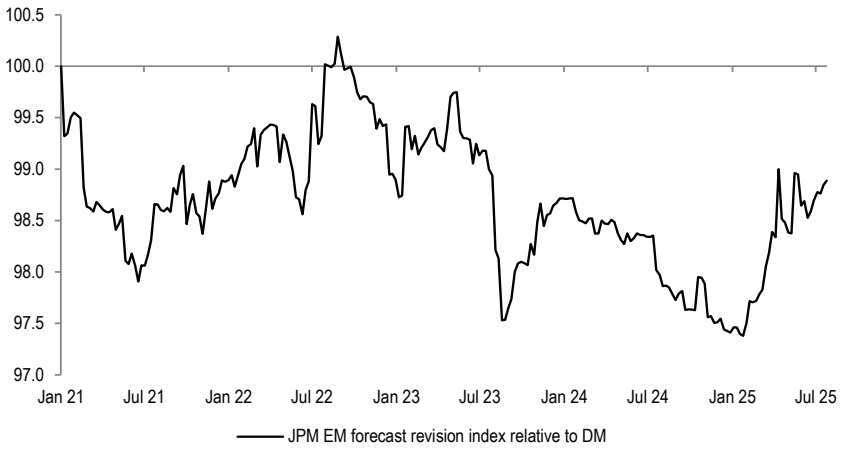
Source: Datastream

MSCI EM ex China vs DM and EM FX



Source: Bloomberg Finance L.P.

EM vs DM forecast revision index

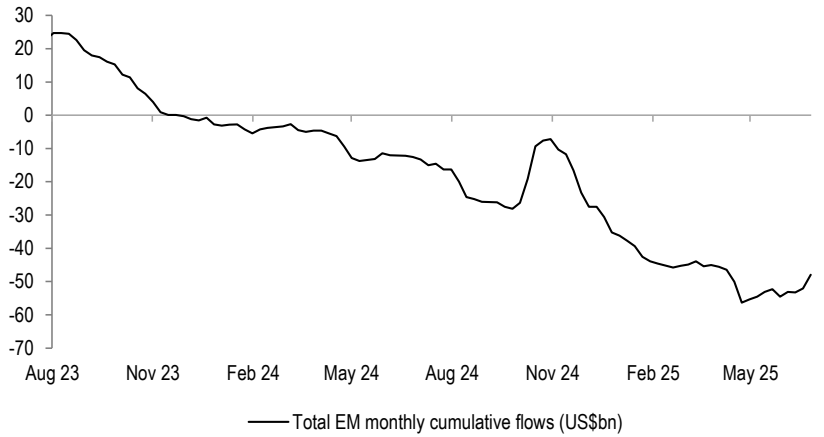


Source: Bloomberg Finance L.P.

EM valuations look attractive, and the group is underowned

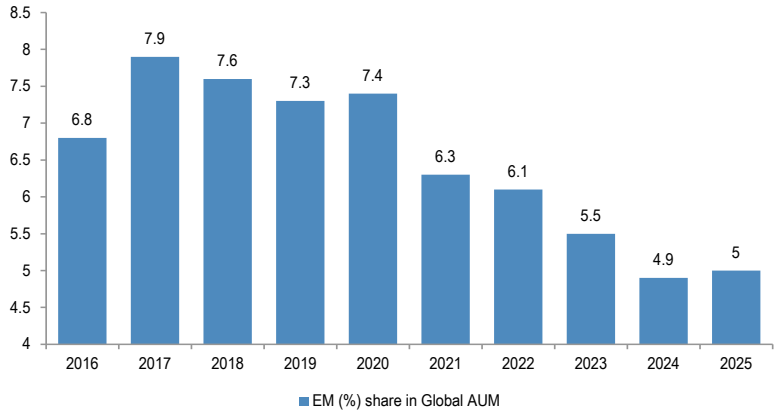
- We note that EM equities have seen significant outflows since Aug ’23. However, that is stabilizing, and the group has been seeing inflows in that last few weeks.
- MSCI EM is trading on the cheap side of fair value, relative to DM.

Total EM monthly cumulative flows ($bn)



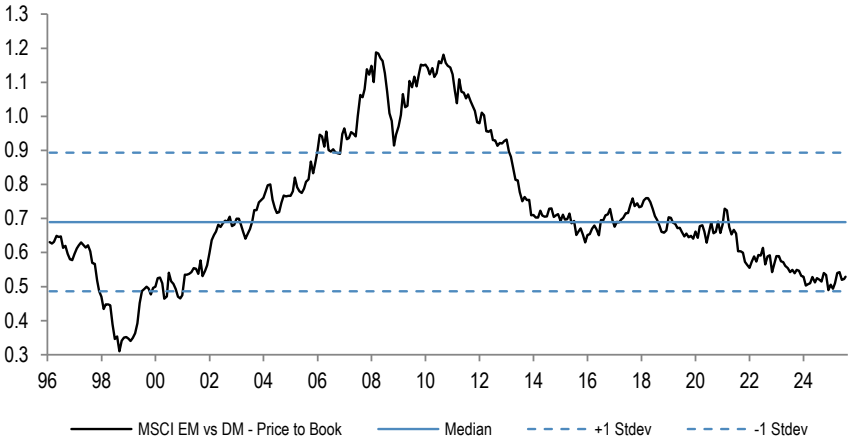
Source: J.P. Morgan EM Equity Strategy

EM share in Global AUM



Source: J.P. Morgan EM Equity Strategy

MSCI EM vs DM Price to Book

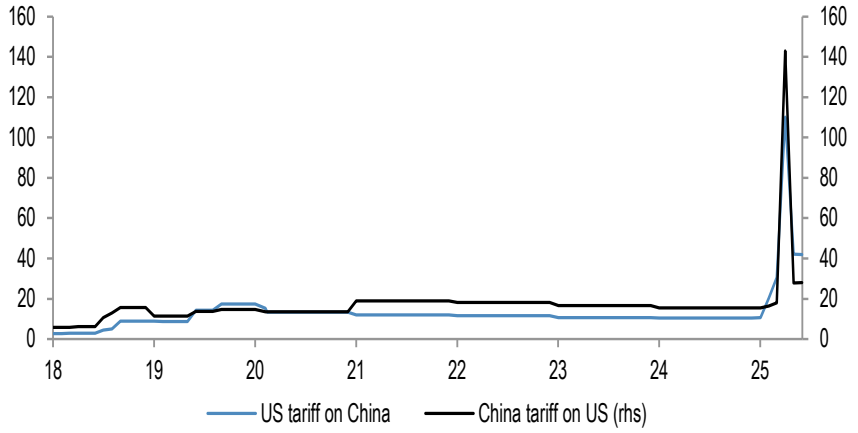


Source: IBES

China trade uncertainty appears to have peaked

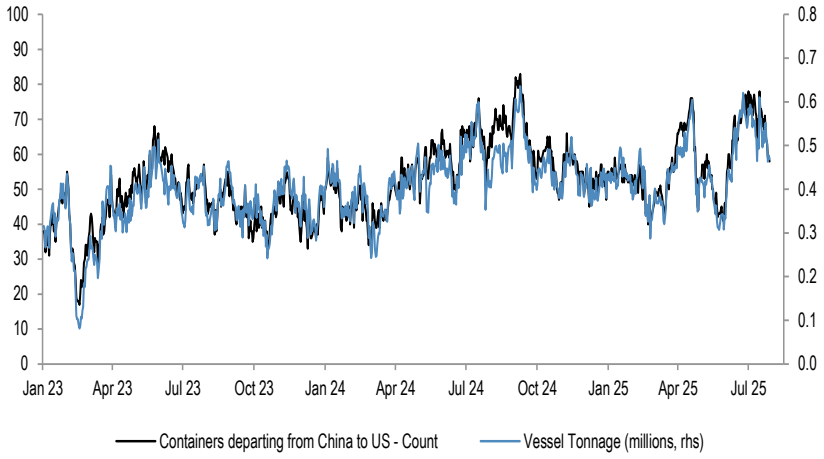
- Notably, the effective tariff rate on China was reduced significantly since 'Liberation Day'. The current tariff truce between the two countries has been extended.
- Our economists flag that China's container shipping to the US picked up in June, and has stayed elevated in July, reaching levels comparable to the peak before the US-China tariff escalation.
- The underperformance of the Shanghai Shenzhen 300 composite index versus the H-shares is notable. Our China Strategists flag the following supports for CSI: 1) Ample domestic liquidity, with another rate cut in 4Q; 2) Shift in household asset allocation towards equities as riskfree rate trends lower; 3) Continued funding support from the central government; and 4) SOEs to keep up their efforts to boost returns for investors.

China - US Bi-lateral Effective Tariff rates



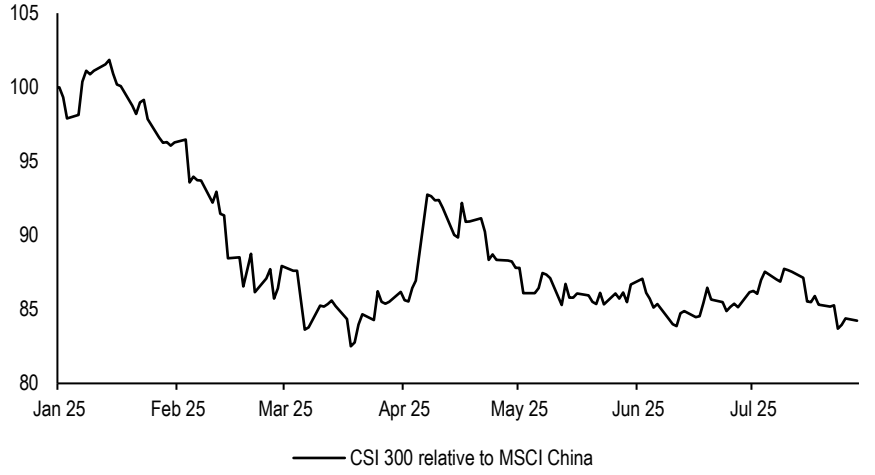
Source: J.P. Morgan China Economists

Containers departing from China to US - Count and Vessel Tonnage



Source: Bloomberg Finance L.P.

CSI 300 relative to MSCI China



Source: Datastream

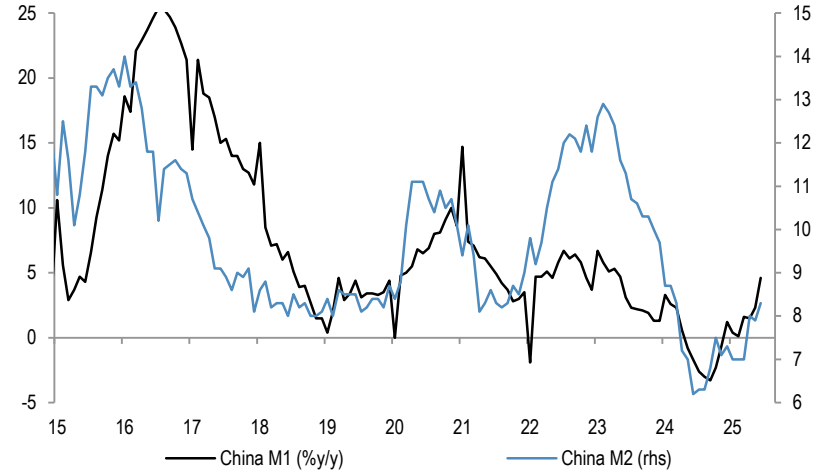
China domestic activity can surprise on the upside

- The housing slowdown was one of the drivers of our long-held cautious view on Chinese activity. However, we believe that we may be close to an inflection point. To be clear, we are not expecting Chinese activity to ramp up to levels seen pre-Covid, but, in our view, any stabilization will go a long way in getting investors comfortable with owning the region again.
- Domestic liquidity measures have been improving, with both M1 and M2 higher. The policy shift since last year is notable, with a focus on the "three-arrows": (1) structural rebalancing (services vs. manufacturing, consumption vs. investment); (2) fiscal stimulus; (3) monetary easing.
- While a fiscal bazooka isn't imminent, our economists expect modest fiscal expansion, and a focus on structural issues like the recent anti-involution policy (supply-side structural reform, cutting excess capacity, stopping disruptive price cut strategy) and boosting domestic demand/ consumption.

China Land sales revenue

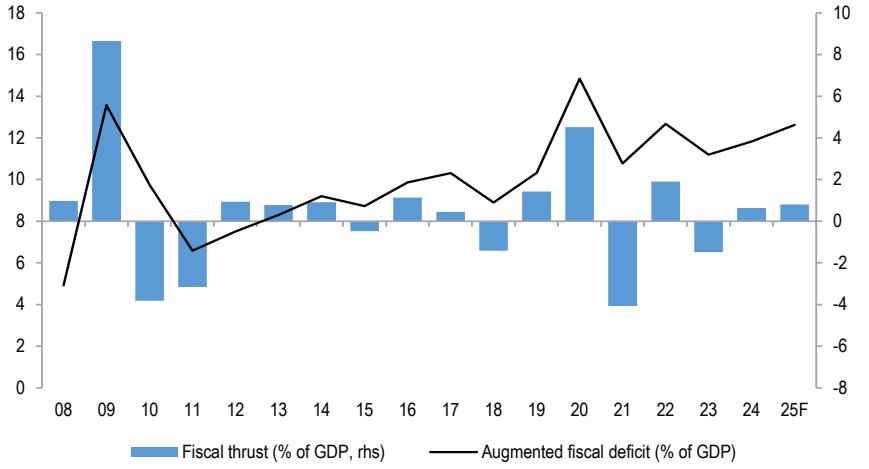
Source: J.P. Morgan China Economists

China M1 and M2



Source: Bloomberg Finance L.P.

China fiscal policy stance



Source: J.P. Morgan China Economists

China heat map

Chinese data watch

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Manufacturing PMI																		
Caixan	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5	50.1	50.8	51.2	50.4	48.3	50.4
NBS	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8	50.1	50.3	50.1	49.1	50.2	50.5	49.0	49.5	49.7
Services PMI																		
Caixan	52.7	52.5	52.7	52.5	54.0	51.2	52.1	51.6	50.3	52.0	51.5	52.2	51.0	51.4	51.9	50.7	51.1	50.6
NBS	50.7	51.4	53.0	51.2	51.1	50.5	50.2	50.3	50.0	50.2	50.0	52.2	50.2	50.4	50.8	50.4	50.3	50.5
Composite PMI - Caixan	52.5	52.5	52.7	52.8	54.1	52.8	51.2	51.2	50.3	51.9	52.3	51.4	51.1	51.5	51.8	51.1	49.6	51.3
Industry																		
Electricity Production, %oya	8.0%	8.0%	2.8%	3.1%	2.3%	2.3%	2.5%	5.8%	6.0%	2.1%	0.9%	0.6%	0.6%	0.6%	1.8%	0.9%	0.5%	2%
IP, %oya	6.8%	6.8%	4.5%	6.7%	5.6%	5.3%	5.1%	4.5%	5.4%	5.3%	5.4%	6.2%	6.2%	6.2%	7.7%	6.1%	5.8%	7%
FAI, %oya	3.0%	4.2%	4.5%	4.2%	4.0%	3.9%	3.6%	3.4%	3.4%	3.4%	3.3%	3.2%	3.2%	4.1%	4.2%	4.0%	3.7%	2.8%
Consumer Activity																		
Retail Sales, %oya	7.4%	7.4%	3.1%	2.3%	3.7%	2.0%	2.7%	2.1%	3.2%	4.8%	3.0%	3.7%	3.7%	3.7%	5.9%	5.1%	6.4%	4.8%
Passenger Car Sales, %yoy	44.0%	-19.4%	10.9%	10.5%	1.2%	-2.3%	-5.1%	-4.0%	1.5%	10.7%	15.2%	11.7%	0.8%	36.2%	10.4%	11.0%	13.3%	14.5%
70-city house price index, %oya	-1.2%	-1.9%	-2.7%	-3.5%	-4.3%	-4.9%	-5.3%	-5.7%	-6.1%	-6.2%	-6.1%	-5.7%	-5.4%	-5.2%	-5.0%	-4.5%	-4.1%	-3.7%
Liquidity & Monetary Conditions																		
M2, %oya	8.7%	8.7%	8.3%	7.2%	7.0%	6.2%	6.3%	6.3%	6.8%	7.5%	7.1%	7.3%	7.0%	7.0%	7.0%	8.0%	7.9%	8.3%
FX Reserves (bln yuan)	3219	3226	3246	3201	3232	3222	3256	3288	3316	3261	3266	3202	3209	3227	3241	3282	3285	3317
New Loan Creation (bln yuan)	4914	1456	3089	732	945	2126	261	903	1594	494	578	995	5130	1009	3636	285	623	2238

Source: J.P. Morgan, Bloomberg Finance L.P., S&P Global, NBS

Within EM, our EM strategists are constructive on India, Korea, Brazil Philippines, UAE, Greece, Poland and South Africa

- India: Falling inflation, enhanced system liquidity and lower borrowing to boost growth. Timely demand stimulus and support to urban household balance sheet. Recovery in rural economy further aided by a favourable monsoon. Relative safe haven amid trade uncertainty. Highest 2025E GDP growth in JPM Global universe.
- Korea: The only AxJ market with a revenue decline in 1Q25, but some early signs of bottoming have emerged; cheap valuation, with potential re-rating due to governance reforms; potential improvements in trade relations with major trading partners; possible flow repatriation. Prefer Holdcos, Memory, Financials, Defense, Chemicals, Consumer/K-culture
- Brazil: We anticipate Brazil's GDP to slow in 2H25 due to high interest rates but cooling inflation should allow the central bank to ease rates by year-end, (JPM forecast terminal rate of 10.50% in 2026). This easing could significantly benefit equities, particularly high-leverage companies. The timing and scale of easing are crucial. Though 14 months away, the election narrative is vital. Polls show increasing rejection of President Lula and rising competitiveness of opposition candidates for the October race.
- Philippines: Cooling inflation and interest rate declining into 2025 to fuel domestic consumption, defensive domestic play amidst volatile external environment. Central bank has most room to ease in the region. Stocks tend to re-rate during an easing cycle. Thin liquidity remains a key risk.
- UAE: 1Q results strong, especially banks. Still at a discount to Saudi. Downside risks from regional conflict.
- Greece: Medium-return/low risk justifies our OW. Capital return from the banks (10% div yield+buy-back) and 2% GDP on track. Less exposed to tariff risks given tourism is the key export.
- Poland: Potential upside as European economy re-arms and accelerates. Positively geared to stronger EUR. Concerns over politics post elections should ease in coming months.
- South Africa: Stronger ZAR and lower yields should mean strong performance from domestics; Strong precious metals and lower oil boost terms of trade; SARB's inflation targeting proposal is promising for domestic equities; GNU tensions linger remain making our OW call a tactical one.

EM Countries' Rating and Performance Snapshot

	Weight in MSCI EM	JPM Rating	YTD performance L.C	YTD performance US$
CHINA	29%	N	24.8%	24.1%
TAIWAN (CHINA)	19%	N	3.3%	14.8%
INDIA	18%	OW	2.4%	1.1%
KOREA	11%	OW	33.3%	42.0%
BRAZIL	4%	OW	6.7%	16.5%
SAUDI ARABIA	4%	N	-7.6%	-7.5%
SOUTH AFRICA	3%	OW	22.8%	29.7%
MEXICO	2%	N	14.8%	27.7%
INDONESIA	1%	N	-5.0%	-6.4%
UAE	2%	OW	26.3%	26.3%
MALAYSIA	1%	N	-7.7%	-2.5%
THAILAND	1%	UW	-9.0%	-4.2%
POLAND	1%	OW	34.3%	51.4%
TURKEY	1%	N	9.5%	-4.5%
PHILIPPINES	0%	OW	1.4%	2.5%
CHILE	0%	N	17.5%	20.3%
MSCI EM			**13.1%**	**16.7%**

Source: Datastream, J.P. Morgan

'25e,'26e EPS growth for key EM countries

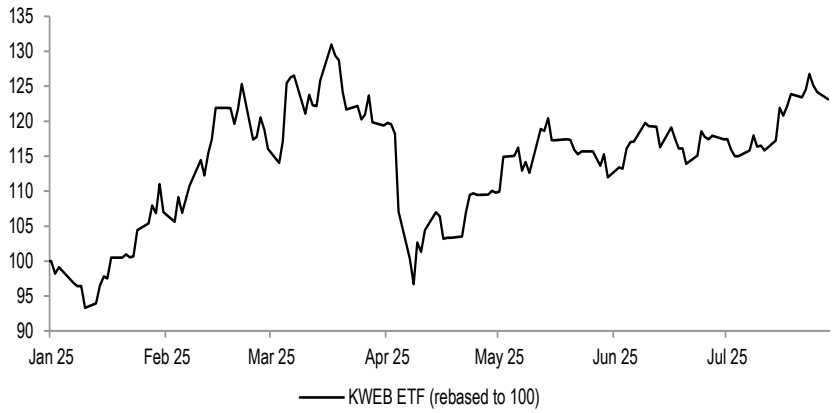
	EPS growth 25e	EPS growth 26e
CHINA	5%	12%
TAIWAN (CHINA)	13%	14%
INDIA	14%	16%
KOREA	20%	17%
BRAZIL	0%	8%
SAUDI ARABIA	6%	11%
SOUTH AFRICA	35%	16%
MEXICO	13%	9%
INDONESIA	-3%	7%
UAE	7%	10%
MALAYSIA	1%	6%
THAILAND	9%	7%
POLAND	45%	3%
TURKEY	66%	54%
PHILIPPINES	8%	10%
CHILE	15%	10%
MSCI EM	11%	13%

Source: IBES

We are positive on China Tech exposure

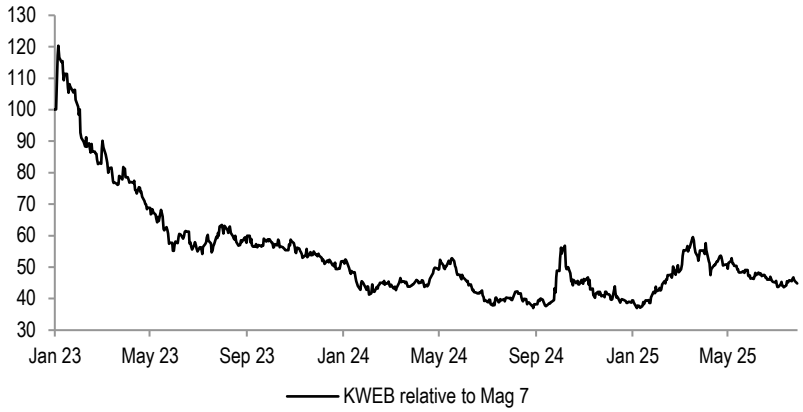
- We remain positive on China tech and had advised to use any weakness as an opportunity to add further particularly for investors looking to continue diversifying away from the crowded US Tech positions.
- Overall, the group has meaningfully lagged the performance of AI-winners in the US.
- China Internet continues to trade on the cheap side of fair value vs the US.

KWB ETF relative to Mag 7 ytd



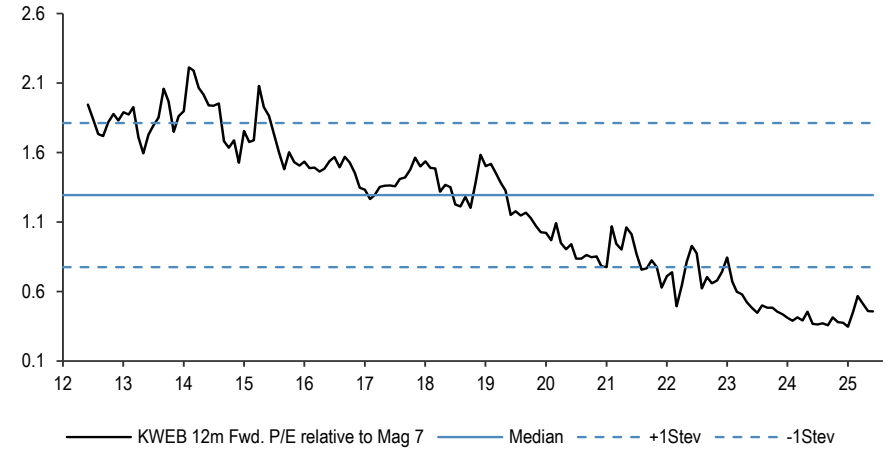
Source: Bloomberg Finance L.P.

KWEB relative to Mag 7



Source: Bloomberg Finance L.P.

KWEB 12m Fwd P/E relative to Mag 7



Source: IBES

EM snapshot

MSCI EM countries valuations and performance

	Weight in MSCI EM	YTD Perf L.C	YTD Perf US$	12m Fwd P/E Current	12m Fwd P/E 10Y median	12m Fwd P/E relative	P/Book Current	P/Book 10Y median	P/Book relative	EPS growth 25e	EPS growth 26e
CHINA	29%	24.8%	24.1%	11.8	11.2	5%	1.7	1.6	3%	5%	12%
TAIWAN (CHINA)	19%	3.3%	14.8%	16.0	14.3	12%	3.0	2.0	53%	13%	14%
INDIA	18%	2.4%	1.1%	22.9	19.4	18%	3.7	3.2	14%	14%	16%
KOREA	11%	33.3%	42.0%	10.3	10.1	2%	1.2	1.0	17%	20%	17%
BRAZIL	4%	6.7%	16.5%	8.2	10.4	-21%	1.5	1.7	-7%	0%	8%
SAUDI ARABIA	4%	-7.6%	-7.5%	15.0	16.5	-9%	2.1	2.1	3%	6%	11%
SOUTH AFRICA	3%	22.8%	29.7%	9.7	11.0	-12%	2.1	2.0	2%	35%	16%
MEXICO	2%	14.8%	27.7%	11.6	13.9	-16%	1.9	2.1	-6%	13%	9%
INDONESIA	1%	-5.0%	-6.4%	10.8	14.6	-26%	2.1	2.5	-16%	-3%	7%
UAE	2%	26.3%	26.3%	10.2	10.5	-3%	2.1	1.5	39%	7%	10%
MALAYSIA	1%	-7.7%	-2.5%	13.1	15.1	-13%	1.4	1.6	-16%	1%	6%
THAILAND	1%	-9.0%	-4.2%	14.0	15.4	-9%	1.6	2.0	-18%	9%	7%
POLAND	1%	34.3%	51.4%	9.7	11.2	-13%	1.5	1.2	24%	45%	3%
TURKEY	1%	9.5%	-4.5%	5.2	5.9	-11%	1.1	1.2	-6%	66%	54%
PHILIPPINES	0%	1.4%	2.5%	10.6	16.1	-34%	1.8	1.9	-9%	8%	10%
CHILE	0%	17.5%	20.3%	12.5	13.9	-10%	1.4	1.5	-3%	15%	10%

Source: IBES, Datastream

EM Sector snapshot

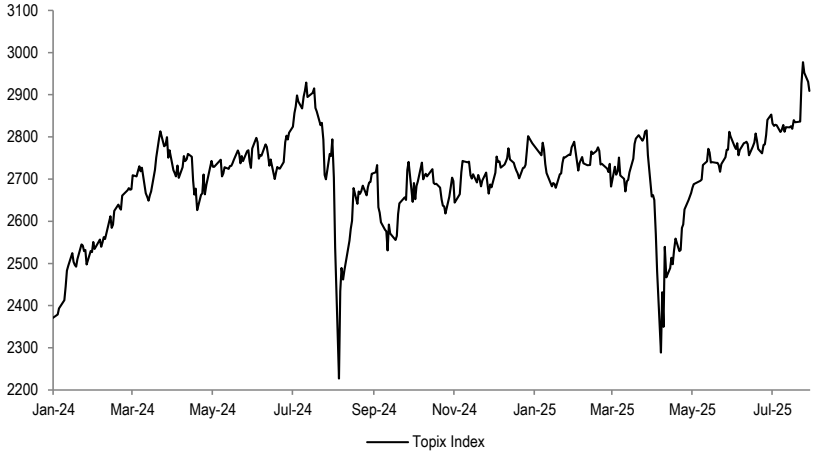
	YTD Perf, %	YTD total return, %	Weight in Index EM	Weight in Index vs MSCI World	12m Fwd P/E Current	12m Fwd P/E vs Median since '03	EPS growth, % 2025e	EPS growth, % 2026e
EM	13.6%	15.5%	100%	0%	12.8	12%	12%	13%
Energy	6.4%	9.0%	4%	1%	9.9	25%	1%	2%
Materials	16.0%	17.6%	6%	2%	12.3	16%	54%	17%
Industrials	20.2%	22.0%	7%	-5%	14.6	18%	10%	11%
Discretionary	8.7%	10.0%	13%	3%	13.0	5%	4%	18%
Staples	6.1%	7.8%	5%	-2%	18.8	-5%	10%	12%
Healthcare	8.3%	8.9%	3%	-7%	27.3	32%	22%	19%
Financials	17.5%	20.5%	25%	7%	9.5	6%	4%	9%
IT	12.3%	13.5%	23%	-2%	15.2	14%	25%	16%
Telecoms	21.6%	23.0%	10%	2%	16.7	18%	14%	13%
Utilities	6.3%	8.5%	3%	0%	11.9	5%	13%	14%
Real Estate	4.2%	7.5%	2%	0%	11.4	37%	14%	19%
Cyclicals	**12.8%**	**14.2%**	**49%**	**-1%**	**14.1**	**15%**	**19%**	**16%**
Defensives	**13.7%**	**15.1%**	**21%**	**-6%**	**17.3**	**11%**	**14%**	**14%**

Source: IBES, Datastream

2) OW Japan, given domestic reflation and likely inflows…

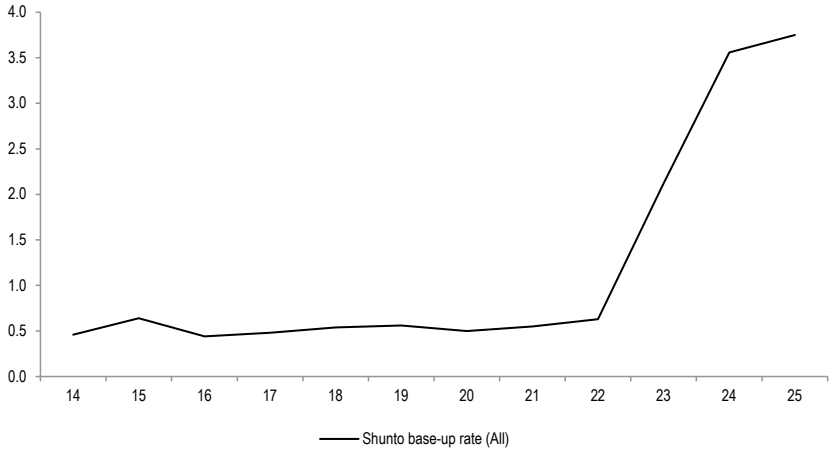
- Japanese equities hit all-time highs recently on the news of US-Japan trade deal with reciprocal tariffs being reduced from 25% to 15%.
- The domestic backdrop in Japan is still encouraging. TSE reforms are ongoing, wage growth is picking up meaningfully, and there is renewed focus on the promotion of individual investments in equities, restarting of nuclear power plants, and maintenance of the semiconductor policy, which are reassuring for Japanese equities.

Topix since Jan'24



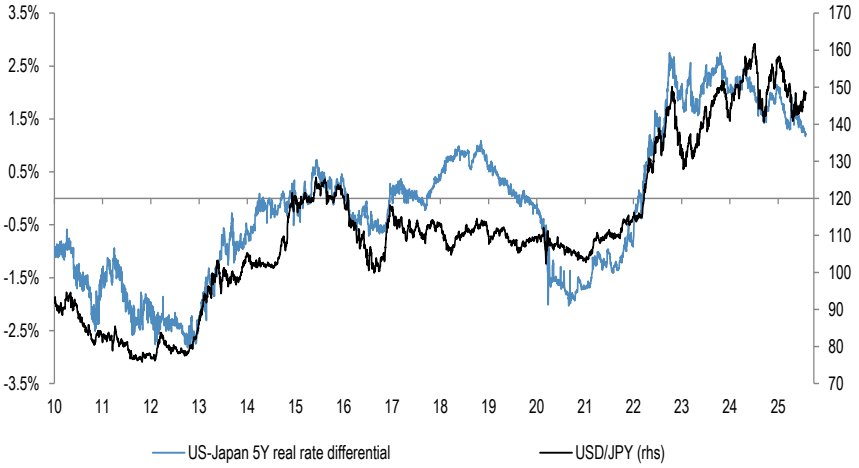
Source: J.P.Morgan Economics

Japan Shunto base up rate



Source: J.P.Morgan Economics

USD/JPY and US - Japan 5Y real rate differential

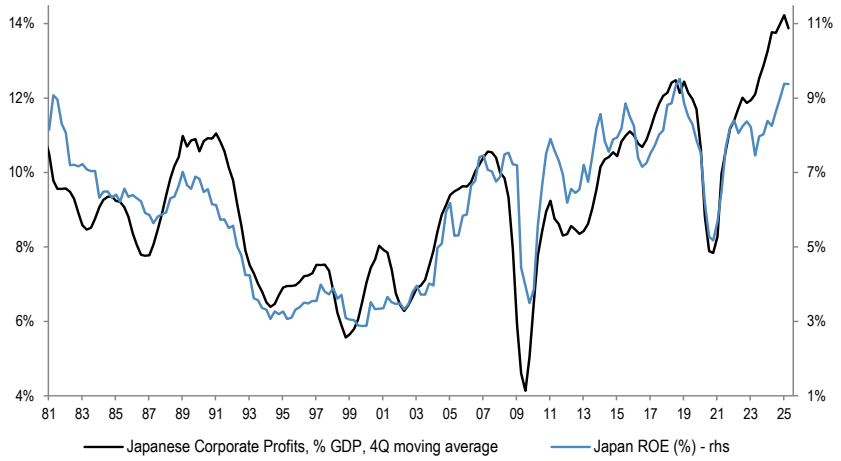


Source: Bloomberg Finance L.P.

…buybacks are accelerating, continued progress on TSE initiatives is likely to drive more re-rating…

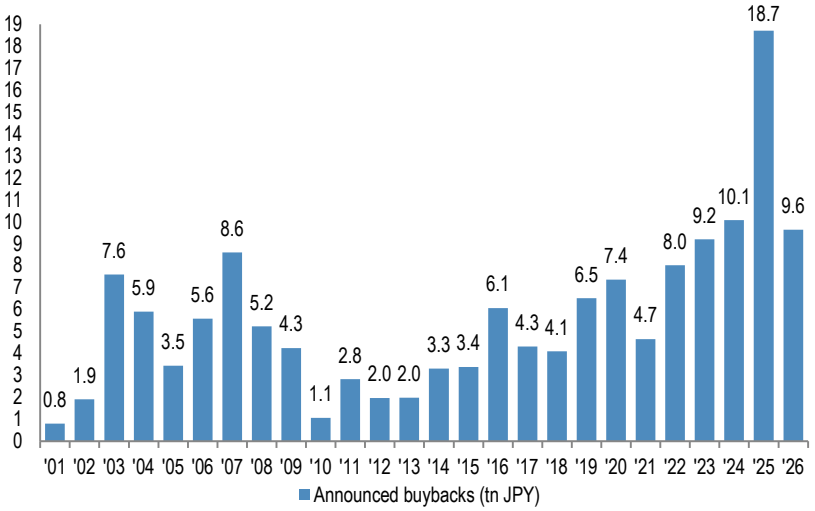
- Initiatives to improve RoE, on the back of the TSE directive, are feeding through to better corporate profitability.
- Buybacks have increased exponentially last fiscal year, with announcements made from April 2024 to March 2025 at 18.7 trillion yen.
- The Japanese exchange group (JPX) has proposed raising the minimum market cap required for inclusion in the index incentivizing companies to raise their market capitalization.

Japanese profit margins and RoE



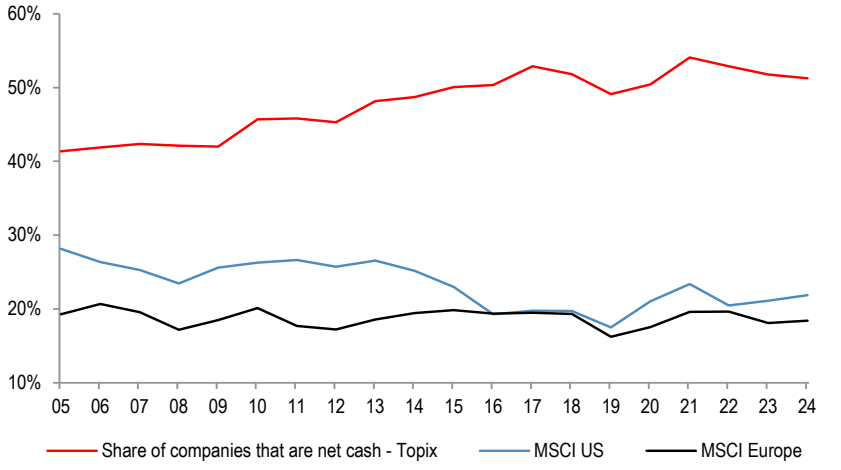
Source: ESRI, Bloomberg Finance L.P.

Announced buybacks - TOPIX universe



Source: Bloomberg Finance L.P. refers to FY, announced buybacks till July '25

Net cash firm weightings

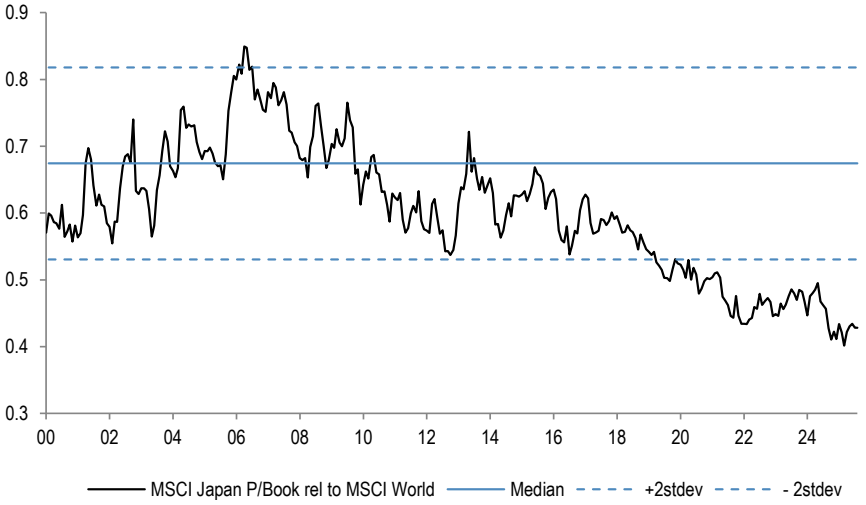


Source: Bloomberg Finance L.P.

…Japan is still underowned by global investors…

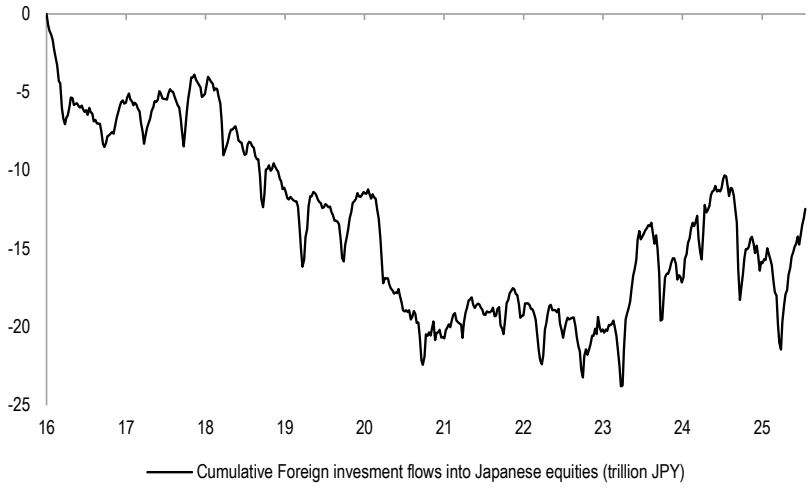
- The region still trades outright cheap on P/Book metric.
- Foreign flows are lagging what was seen during the Abenomics and Koizumi rallies. During each of these periods, Japanese equities rose ~130%. We believe that the Japanese corporate reforms set out by the Tokyo Stock Exchange, coupled with the improving domestic growth backdrop, could have a similar effect on foreign investor flows again.

MSCI Japan Price to Book relative



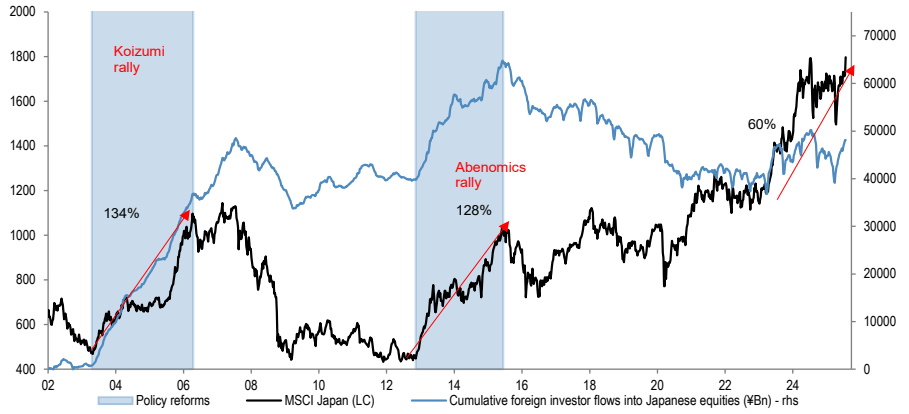
Source: IBES

Foreign investment flows into Japanese equities



Source: JPM Japan Equity Strategy

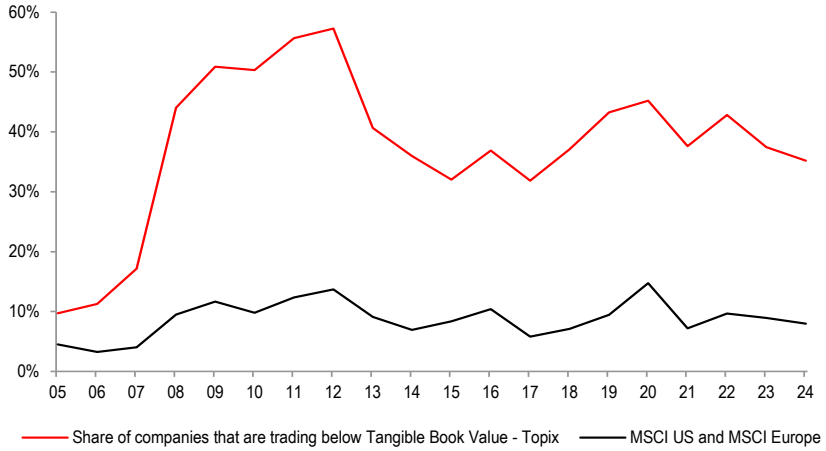
MSCI Japan price and flows during Koizumi and Abenomics reforms



Source: Bloomberg Finance L.P., Datastream

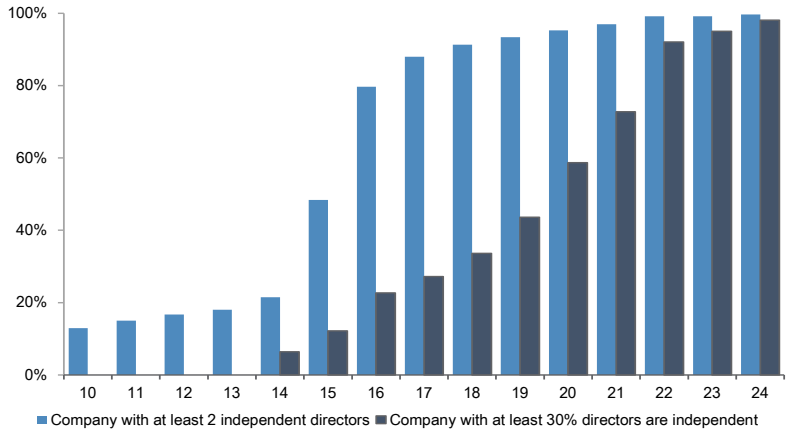
…expect government policy to continue to support corporate governance reforms

Share of companies that are trading below Tangible Book Value


60%
50%
40%
30%
20%
10%
0%
05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24
Share of companies that are trading below Tangible Book Value - Topix
MSCI US and MSCI Europe

Source: Bloomberg Finance L.P.

Japan ratio of independent directors


100%
80%
60%
40%
20%
0%
10 11 12 13 14 15 16 17 18 19 20 21 22 23 24
Company with at least 2 independent directors
Company with at least 30% directors are independent

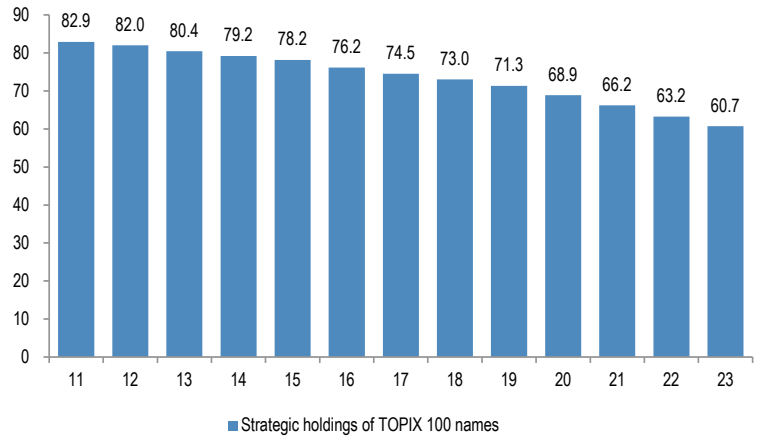
Source: J.P. Morgan Japan Strategy

Disclosure status of all companies (all prime listed Companies)

(Units: # of compannies)		Disclosed initiatives	Under consideration	Disclosed	Total # of companies	Disclosed ratio
All prime listed companies		660	155	815	1,656	49.2%
Market Cap.	Less than JPY 25 bil	44	14	58	200	29.0%
	JPY 25 - 100 bil	230	80	310	682	45.5%
	JPY 100 bil or more	386	61	447	774	57.8%
PBR	Less than 0.5x	71	27	98	145	67.6%
	0.5 - 1x	299	70	369	591	62.4%
	1 - 2x	168	39	207	501	41.3%
	2x or more	122	19	141	419	33.7%
ROE	Less than 0%	25	14	39	102	38.2%
	0% - 8%	311	89	400	702	57.0%
	8-15%	229	38	267	545	49.0%
	15% or more	95	14	109	307	35.5%

Source: J.P. Morgan Japan Strategy

Strategic holdings of TOPIX 100 names (ex. Financials)



Source: J.P. Morgan Japan Strategy

We stay OW Japanese Banks, vs market and vs global Banks

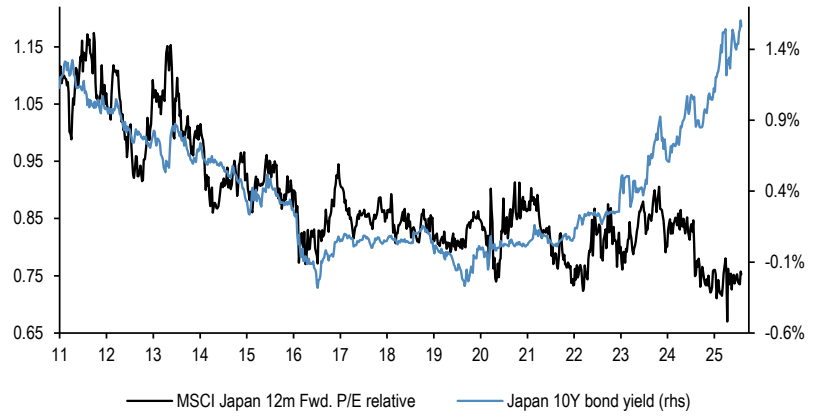
- A final potential positive argument for Japan is that the rising bond yields and/or inflation should not be seen as impediments for the region's performance. Our fixed income team expects Japanese yields to rise marginally from current levels.
- We keep our regional relative trade of OW Japanese Banks vs global Banks, started in April '23.

JPM forecasts for Japan 10Y bond yield (%)

	Forecast for the end of			
Current	Sep 25	Dec 25	Mar 26	Jun 26
1.56	1.55	1.60	1.70	1.80

Source: Bloomberg Finance L.P., J.P. Morgan

MSCI Japan 12m forward P/E and bond yields

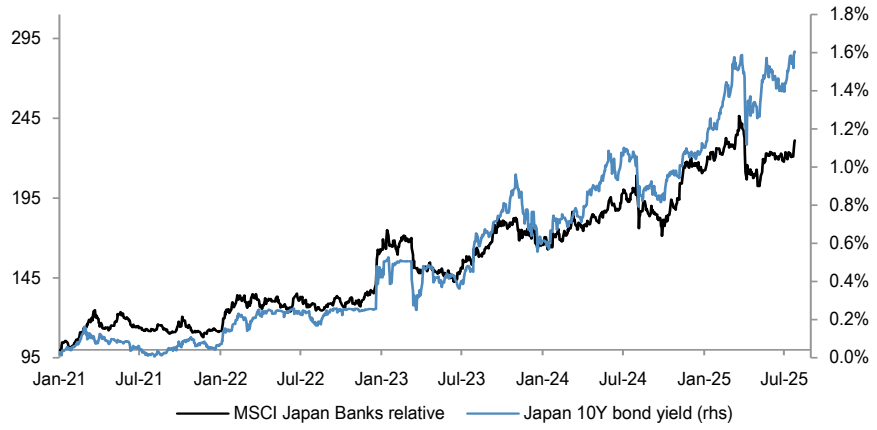


Source: Bloomberg Finance L.P., J.P. Morgan

MSCI Japan Banks relative

Source: Datastream

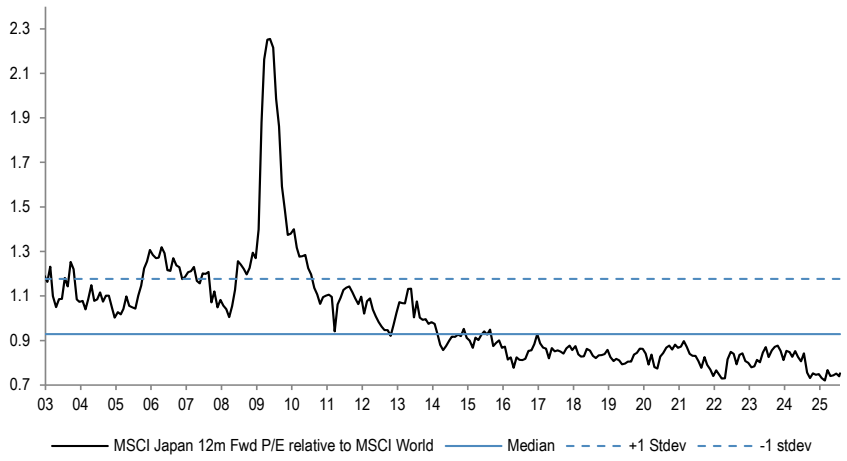
Japanese Banks relative to 10Y bond yield



Source: Bloomberg Finance L.P., Datastream

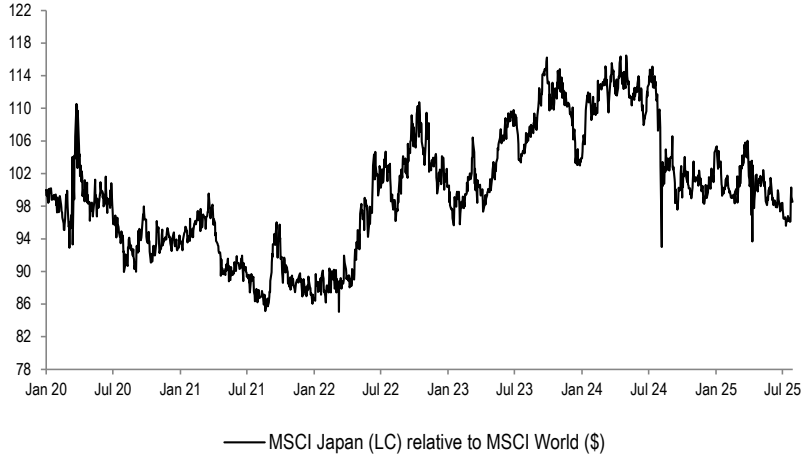
Japan snapshot

MSCI Japan 12m Fwd PE relative to MSCI World



Source: IBES

MSCI Japan performance relative to MSCI World



Source: Datastream

Japan Sector snapshot

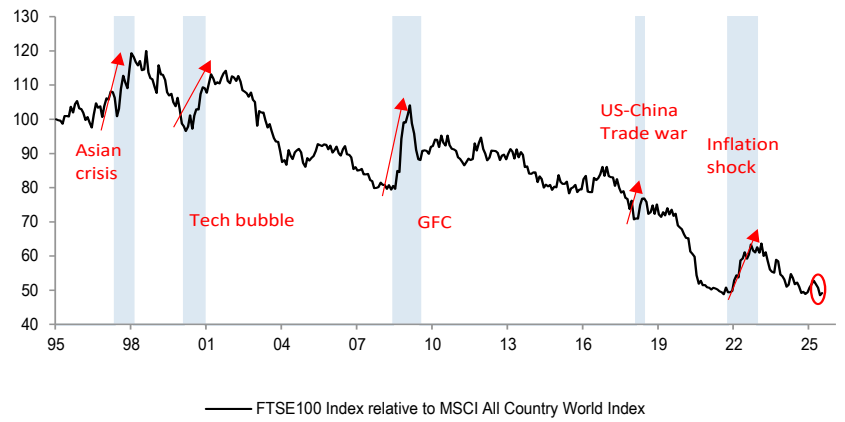
			Weight in Index		12m Fwd P/E		EPS growth*, %	
	YTD Perf, %	YTD total return, %	Japan	vs MSCI World	Current	vs Median since '06	2025e	2026e
Japan	4.1%	5.4%	100.0%	0.0%	15.2	7.7%	1.0%	12.5%
Energy	-2.3%	-0.4%	0.8%	-2.7%	9.5	4.0%	-23.7%	31.6%
Materials	-4.4%	-3.0%	3.5%	0.3%	13.0	0.8%	9.8%	20.1%
Industrials	8.1%	9.4%	24.1%	12.7%	15.9	17.8%	-3.9%	9.1%
Discretionary	-2.9%	-1.8%	17.3%	7.2%	14.5	14.0%	-12.7%	22.9%
Staples	1.2%	2.4%	5.4%	-0.6%	19.8	-3.6%	24.8%	11.1%
Healthcare	-5.7%	-4.4%	7.0%	-2.5%	20.5	-10.8%	22.8%	13.9%
Financials	8.1%	10.1%	16.0%	-1.0%	10.7	-2.7%	7.4%	8.1%
IT	2.7%	3.6%	13.8%	-12.3%	20.7	17.2%	15.6%	11.9%
Telecoms	18.2%	19.5%	8.8%	0.3%	21.4	58.2%	-0.8%	15.5%
Utilities	7.0%	8.5%	1.0%	-1.7%	8.8	-24.7%	-8.0%	-15.0%
Real Estate	12.0%	14.1%	2.3%	0.3%	13.1	-14.6%	1.4%	9.2%
Cyclicals	**2.6%**	**3.8%**	**58.7%**	**7.9%**	**16.0**	**15.8%**	**-3.3%**	**15.1%**
Defensives	**4.8%**	**6.0%**	**22.2%**	**-4.4%**	**19.3**	**11.4%**	**10.0%**	**10.1%**

Source: IBES, Datastream, *for the year ending March 2026 and 2027

3) Neutral UK - it does well during periods of volatility…

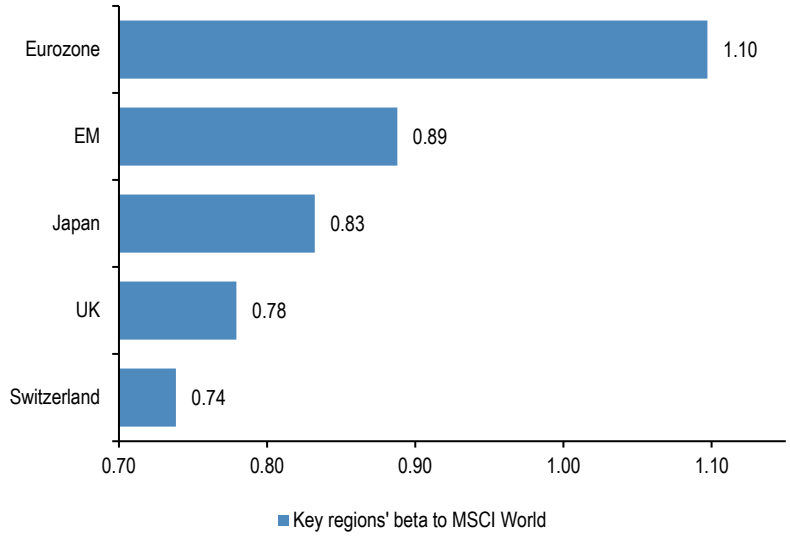
- The UK has traditionally been a low beta, Defensive market, which performs well on a relative basis during downturns. Positioning is light. If global equities consolidate, the UK could be a relative winner.
- UK equities underperformed in 2H of last year, but have performed somewhat better so far this year.

FTSE100 vs MSCI All Country World Index



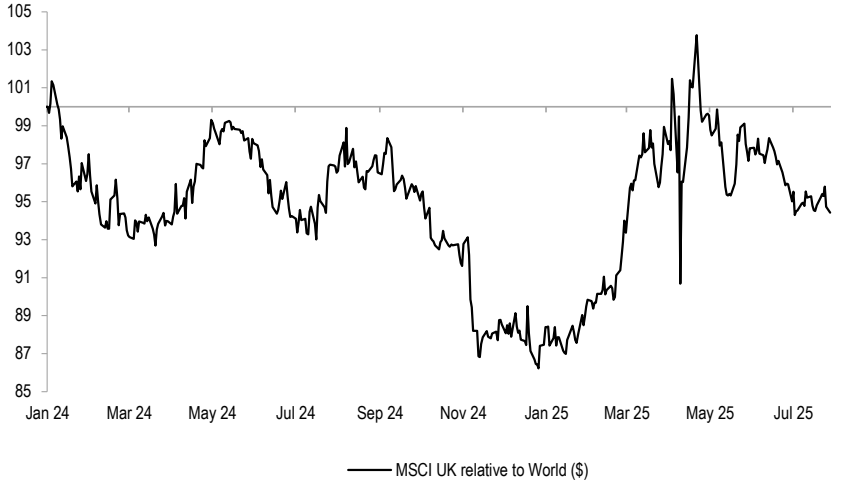
Source: Datastream

Key regions' beta to MSCI World



Source: Datastream, *MoM relative to MSCI World in LC, since 2000

MSCI UK relative to World



Source: Datastream

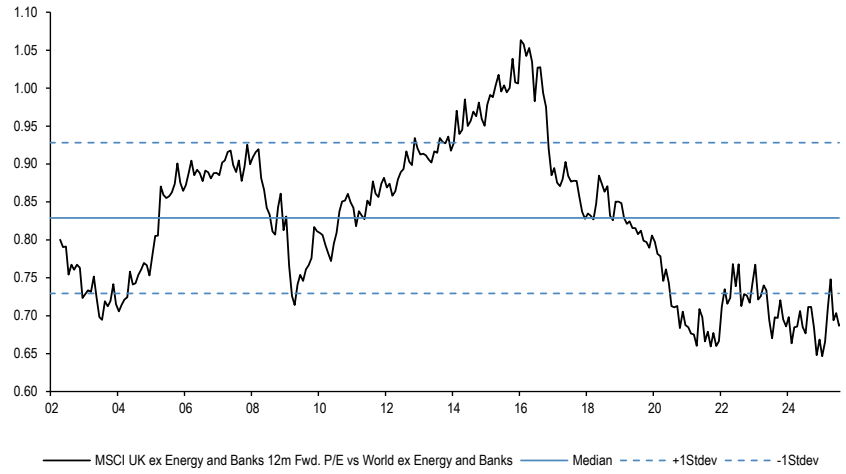
…UK is trading near record cheap levels…

- The UK has de-rated strongly since the 2016 Brexit vote and is trading near the lowest forward P/E level vs global peers in the last three decades. The UK appears extremely cheap even if one were to exclude Banks and Energy from the calculation.

MSCI UK 12m Fwd. P/E relative to MSCI World

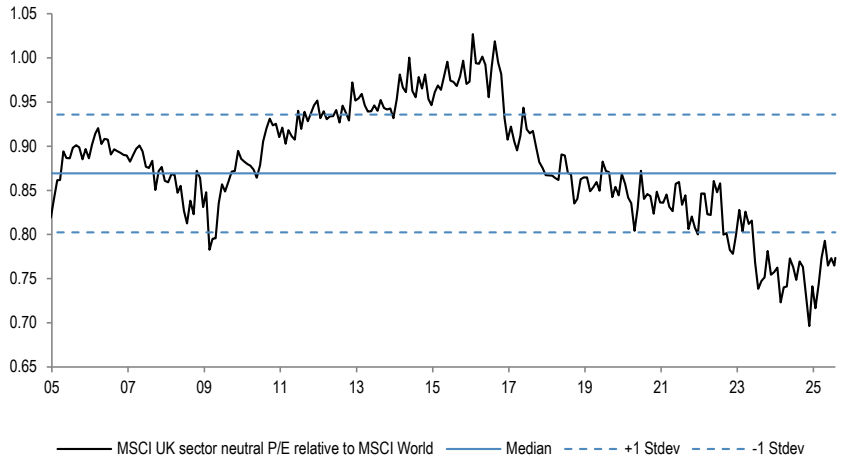
Source: Datastream

MSCI UK 12m Fwd P/E relative, ex Energy and Banks



Source: Datastream

MSCI UK sector neutral 12m Fwd. P/E relative

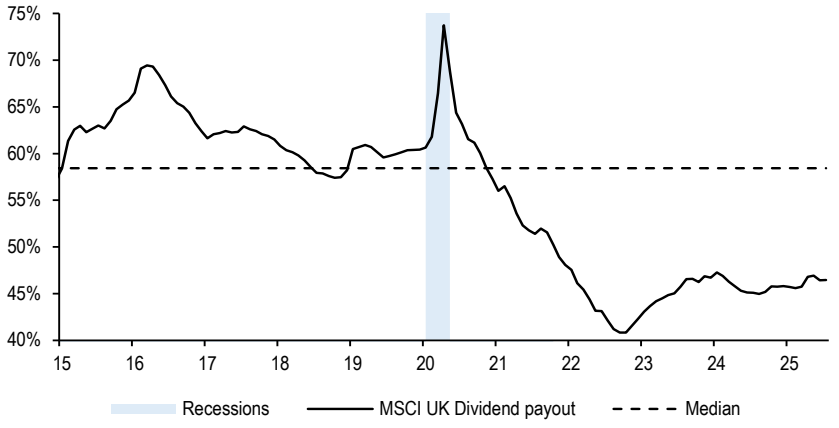


Source: Datastream

…and it offers the highest dividend yield of any of the big DMs

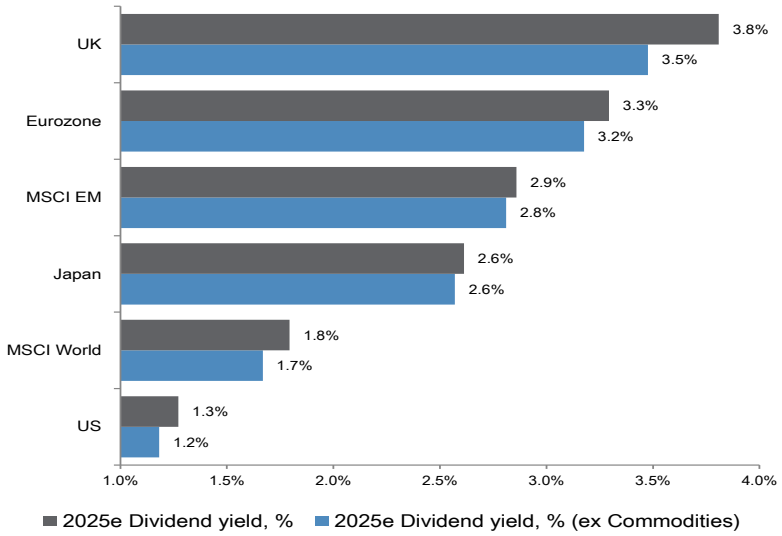
- From a total return perspective, the UK offers a much higher dividend yield compared to other regions, even excluding commodity sectors.
- Dividend yield looks attractive, and the payout ratio is still meaningfully below average. In addition, dividend strategies are likely to gain traction if our fixed income team's view that bond yields move lower is vindicated.
- UK has a high proportion of income funds and could benefit as investors turn to dividend strategies.

UK dividend payout ratio



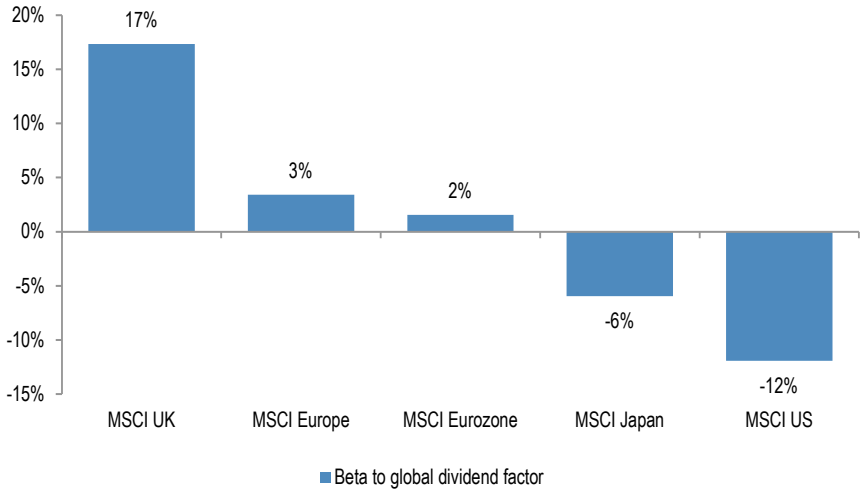
Source: Datastream

Dividend yield for key regional markets



Source: IBES

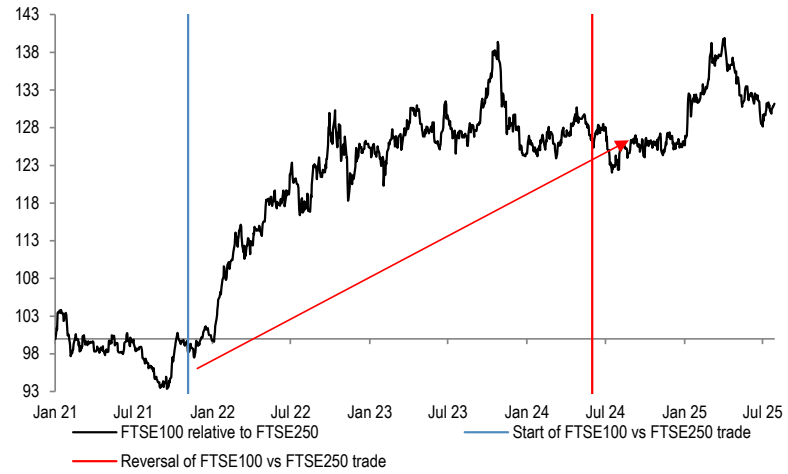
Beta to dividend factor



Source: Bloomberg Finance L.P.

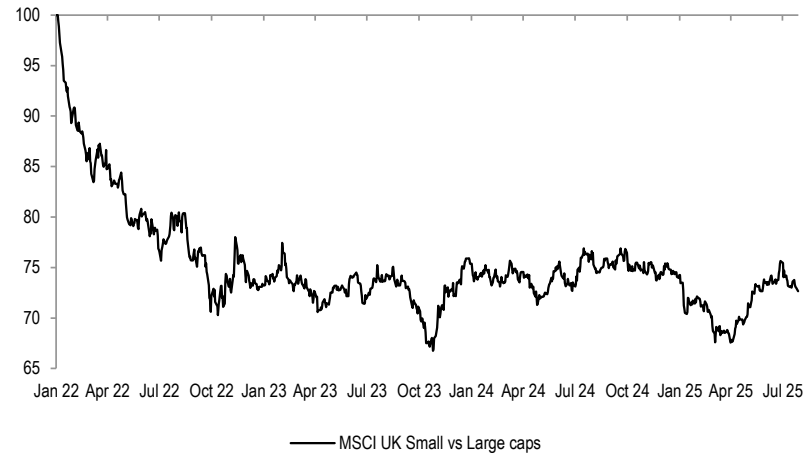
Within the UK, we have a preference for FTSE250 over FTSE100, having reversed in June ’24 our long-held large caps OW

FTSE100 vs FTSE250



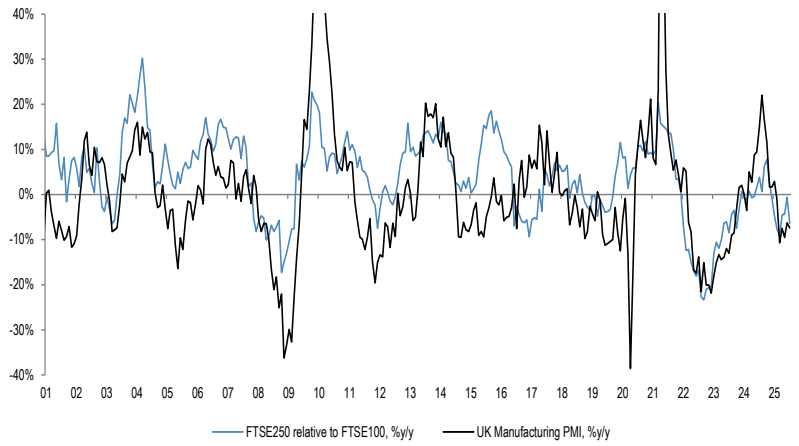
Source: Datastream

UK small caps vs large caps



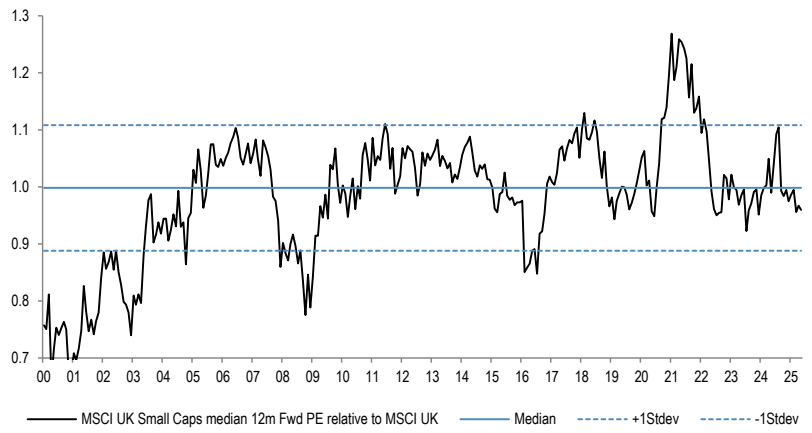
Source: Datastream

FTSE250 relative to FTSE100 and UK manufacturing PMI



Source: Datastream

MSCI UK Small cap P/E relative to MSCI UK

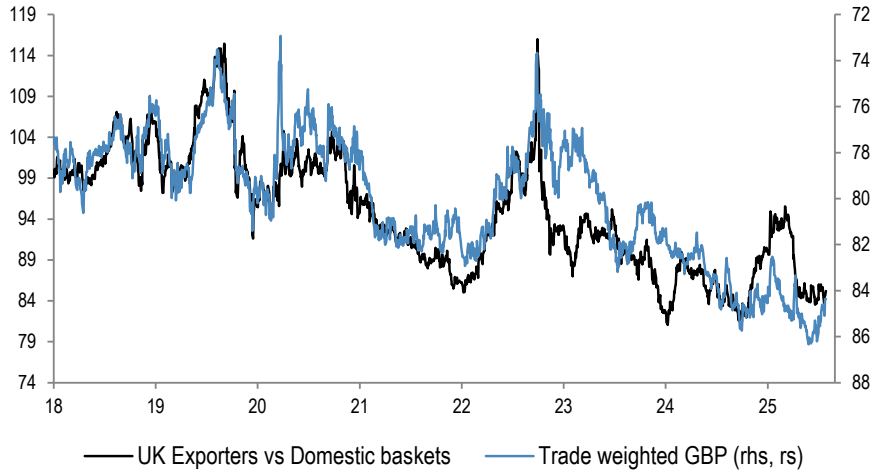


Source: Datastream

Stronger GBP is a tailwind for FTSE250 relative trade

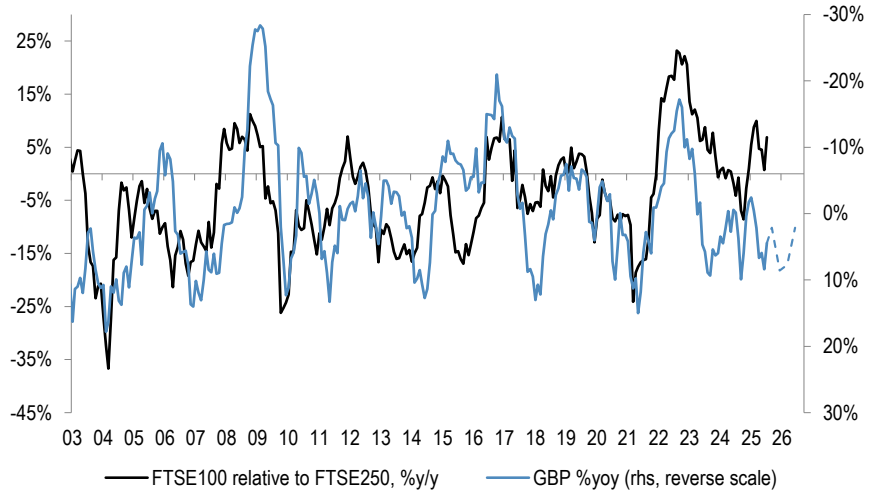
- Continued strength in GBP should help the FTSE250 vs FTSE100 trade.

UK Exporters vs Domestics vs Trade-Weighted GBP



Source: Bloomberg Finance L.P.

FTSE100 relative to FTSE250 and GBP



Source: Datastream

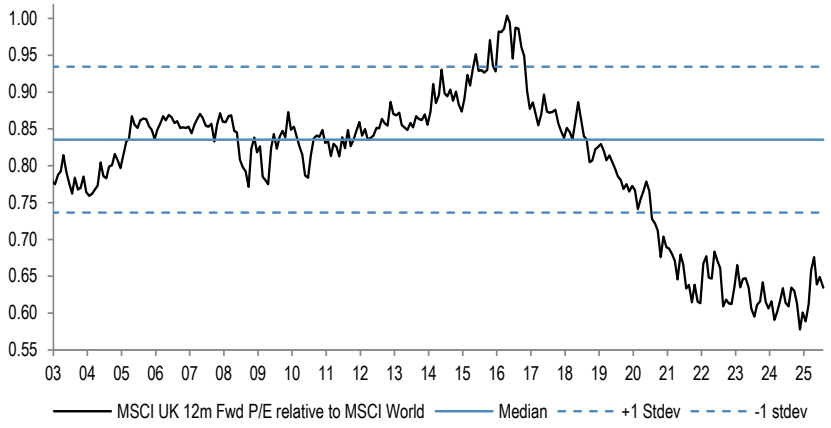
Foreign revenue exposure of FTSE100 and FTSE250

	Ex UK Exposure	
	FTSE100	**FTSE250**
Energy	88%	95%
Healthcare	100%	53%
Materials	99%	83%
Telecoms	67%	48%
Real Estate	24%	58%
Industrials	80%	48%
IT	83%	71%
Utilities	32%	2%
Discretionary	58%	75%
Staples	59%	45%
Financials	44%	40%
Market	**72%**	**61%**

Source: Bloomberg Finance L.P.

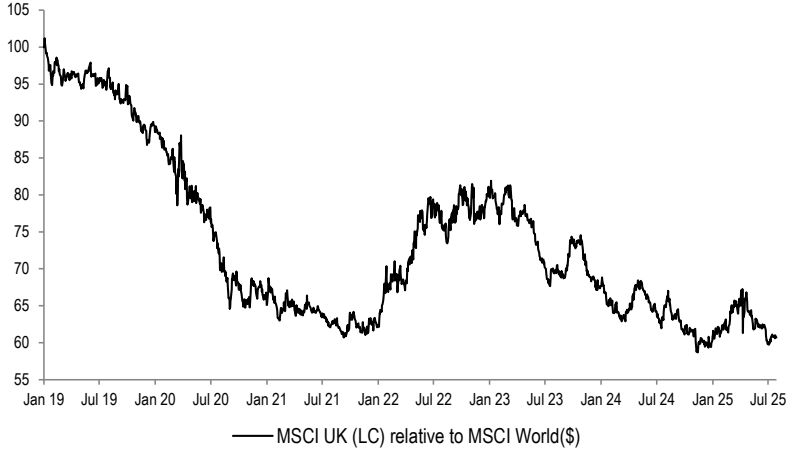
UK snapshot

MSCI UK 12m Fwd PE relative to MSCI World



Source: IBES

MSCI UK performance relative to MSCI World



Source: Datastream

UK Sector snapshot

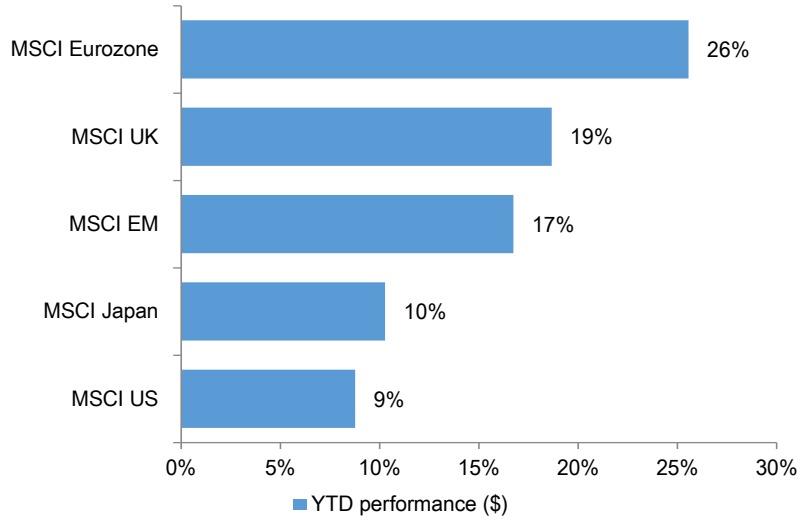
			Weight in Index		12m Fwd P/E		EPS growth, %	
	YTD Perf, %	YTD total return, %	UK	vs MSCI World	Current	vs Median since '06	2025e	2026e
UK	10.8%	13.2%	100.0%	0.0%	12.8	7.4%	1.5%	11.8%
Energy	7.0%	9.6%	10.5%	7.1%	10.5	2.9%	-12.0%	10.5%
Materials	-3.1%	-0.9%	5.8%	2.7%	14.3	28.7%	-11.0%	17.8%
Industrials	24.2%	25.6%	15.6%	4.2%	24.4	92.9%	9.1%	12.9%
Discretionary	-0.1%	1.5%	4.9%	-5.2%	18.2	39.8%	11.1%	12.3%
Staples	5.2%	7.7%	16.5%	10.5%	13.6	-0.3%	-3.2%	7.6%
Healthcare	3.8%	5.5%	13.0%	3.5%	12.8	2.2%	7.1%	12.1%
Financials	21.8%	25.5%	24.4%	7.4%	9.6	-10.2%	8.8%	12.7%
IT	8.4%	9.6%	1.2%	-24.9%	28.8	56.8%	10.4%	11.0%
Telecoms	8.2%	10.1%	2.5%	-5.9%	11.8	3.5%	-1.2%	8.1%
Utilities	11.6%	15.0%	4.8%	2.1%	12.5	1.7%	4.6%	13.4%
Real Estate	-4.1%	-0.9%	0.7%	-1.3%	14.8	-26.6%	4.4%	5.1%
Cyclicals	**11.2%**	**12.8%**	**27.6%**	**-23.2%**	**19.5**	**59.3%**	**0.7%**	**14.9%**
Defensives	**5.7%**	**8.0%**	**36.7%**	**10.1%**	**13.1**	**2.3%**	**1.4%**	**9.9%**

Source: IBES, Datastream

4) N Eurozone – we were tactically cautious since March, but would look to turn more positive again over the next 1-2 months…

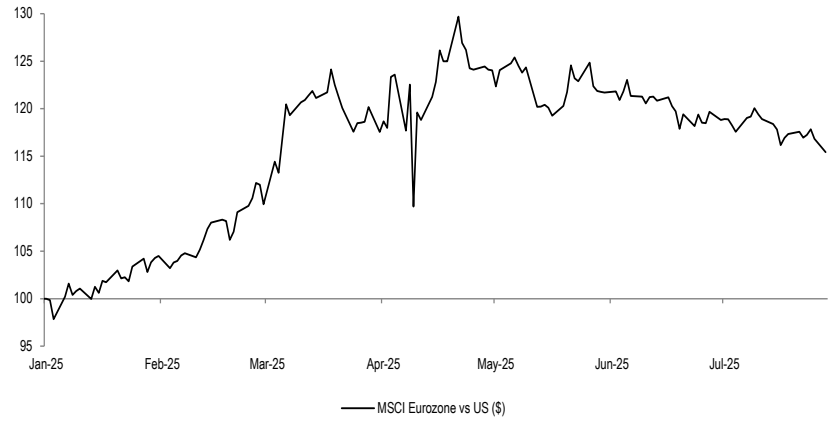
- Eurozone equities is the best performing DM region this year, meaningfully outperforming the US. Still, in the longer-term context, Eurozone is trading rather subdued vs the US.
- We argued towards the end of Q1 that, given the strong run at the start of the year, valuations, positioning and sentiment were all getting stretched, making the region tactically overbought.
- The 15% tariff on EU goods puts to rest one of the major overhangs on Eurozone equities. We had been relatively cautious on Eurozone since March but now think the time is approaching to start adding to Eurozone again. We reiterate our target of 5800 for Euro Stoxx 50.

Key regions - YTD performance



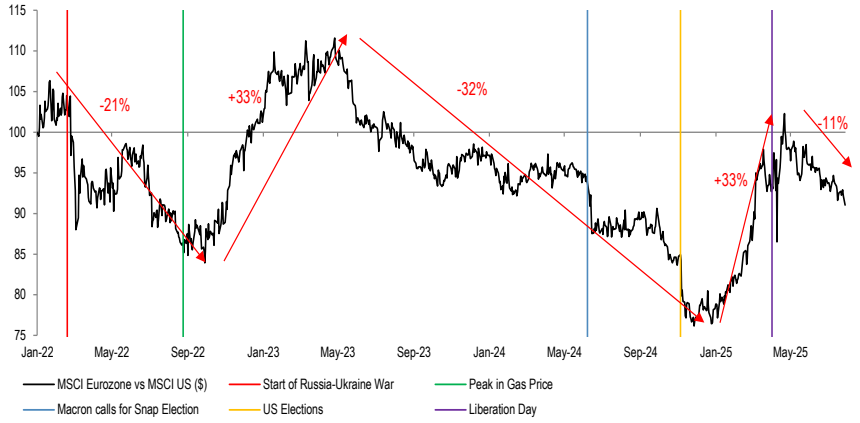
Source: Datastream

MSCI Eurozone vs US ytd



Source: Datastream

MSCI Eurozone vs US since Jan '22

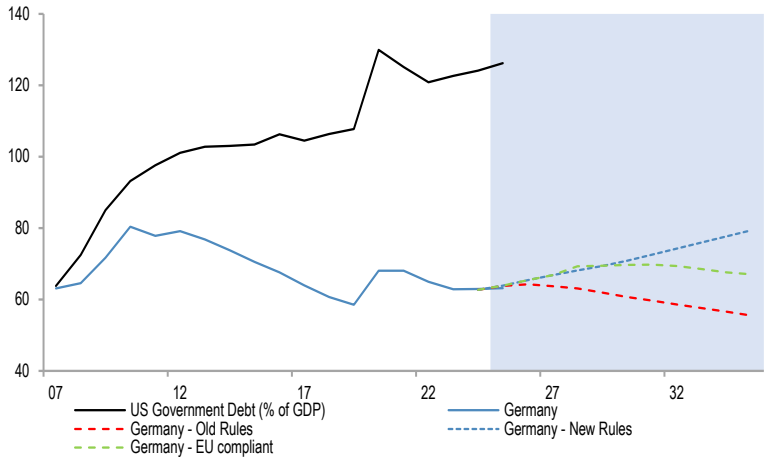


Source: Datastream

…travel and arrive on German stimulus, but it will likely become material at the turn of the year

- The €500bn Infrastructure fund in addition to €400bn extra defence spending, should boost earnings over the coming years.
- The German government is projecting a sharp increase in the federal budget deficit from €53bn (1.2% of GDP) in 2024 to €143bn (3.2% of GDP) in 2025 and on to €175bn-€185bn (around 3.7% of GDP) from 2026 onwards. Almost half of this is coming from spending by two special funds: the existing €100bn Special Fund Army that was set up in 2022 and the new €500bn Special Fund for Infrastructure and Climate Neutrality.

German Government Debt



Source: J.P.Morgan

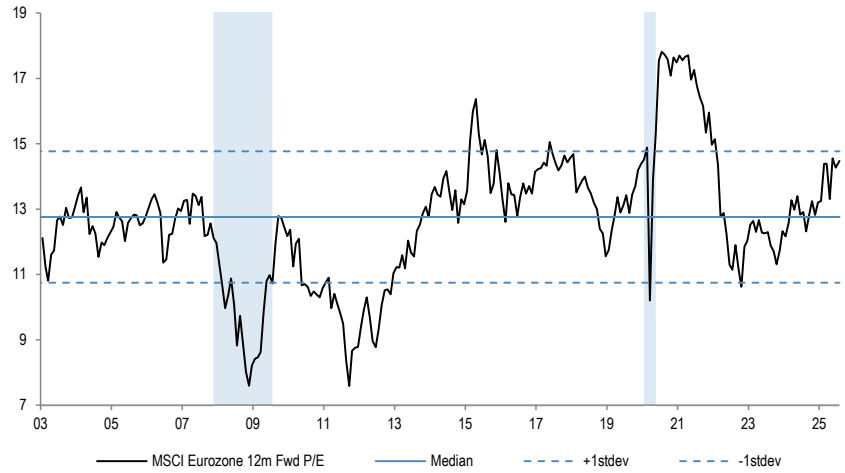
Budget plan of Federal Government (€bn)

	2024	2025	2026	2027	2028	2029
Expenditure (1)	474	503	520	513	550	574
Revenue (2)	441	421	430	425	435	448
Deficit (Core) (3) (= 2-1)	-33	-82	-89	-87	-116	-126
Spending from Special Funds (4)	20	61	83	85	58	59
ow: Infrastructure	0	37	58	57	58	59
ow: Army	20	24	26	28	0	0
Deficit (Total) (5) (= 3-4)	-53	-143	-173	-172	-174	-185
as % of GDP	-1.2	-3.2	-3.8	-3.7	-3.6	-3.7
memo: Capex	75	116	124	-	-	

Source: J.P.Morgan

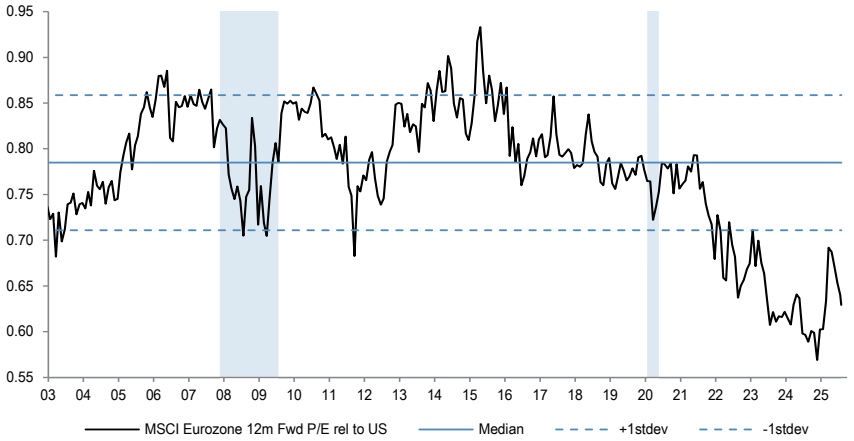
Eurozone valuations relative to the US look attractive, but expensive compared to its own history

MSCI Eurozone 12m Fwd P/E



Source: IBES

MSCI Eurozone 12m Fwd PE relative to US



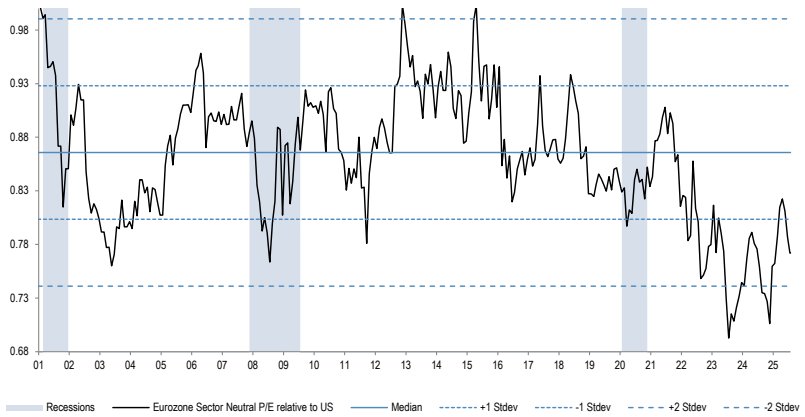
Source: IBES

MSCI Eurozone 12m Fwd P/E - Current vs Historical Median

	12m Fwd PE		
Eurozone	**Current**	**Median**	**Current vs Median**
Real Estate	11.4	16.3	-30%
Energy	8.8	11.3	-22%
Healthcare	14.4	15.3	-6%
Staples	17.1	17.9	-4%
Financials	10.0	10.5	-4%
Utilities	13.6	13.6	0%
Market	14.5	13.2	10%
Discretionary	14.2	12.8	11%
Com Services	16.7	14.4	16%
Materials	16.1	13.2	23%
IT	25.7	20.0	28%
Industrials	19.6	14.7	34%

Source: IBES

MSCI Eurozone sector neutral P/E vs US



Source: IBES

Overall Eurozone fiscal position is better than for other regions

- The region is also in a much better fiscal position compared to peers.

US, EMU, Japan and UK fiscal positions (% of GDP)

	Gross Debt (% of GDP)					Net Debt (% of GDP)					Primary Balance (% of GDP)					
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2026
United States	124.7	118.8	119.0	120.8	122.5	95.5	91.6	94.0	96.5	98.0	-11.4	-3.7	-7.2	-7.3	-6.5	-5.5
Euro area	93.9	89.5	87.4	87.7	88.7	76.6	74.8	73.8	74.7	76.0	-5.1	-3.5	-3.6	-3.1	-3.2	-3.4
Japan	253.7	248.3	240.0	236.7	234.9	156.0	149.5	136.0	134.6	134.2	-6.1	-4.2	-2.3	-2.5	-2.9	-3.1
United Kingdom	105.1	99.6	100.4	101.2	103.9	91.6	89.8	91.8	93.7	95.1	-7.7	-4.6	-6.1	-5.7	-4.4	-3.7

Source: IMF FISCAL MONITOR - April 2025

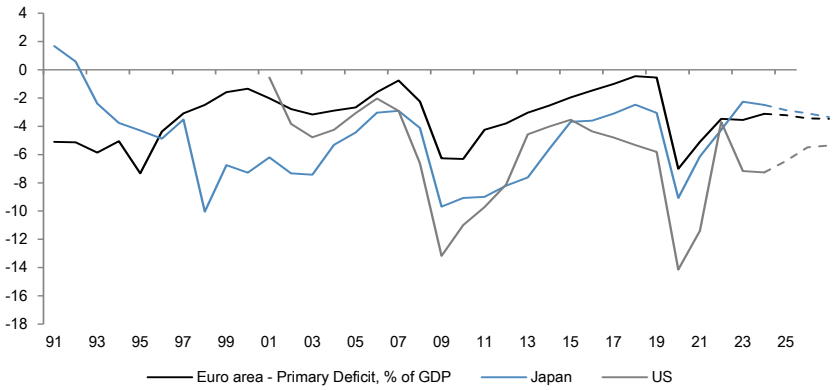
Fiscal balance, % GDP

Fiscal balance (% of GDP)

	US	Japan	Germany	Italy	Spain	France	UK
23	-6.5%	-3.9%	-2.5%	-7.2%	-3.5%	-5.4%	-5.2%
24	-6.9%	-3.0%	-2.8%	-3.4%	-3.2%	-5.8%	-4.5%
25e	-6.5%	-3.6%	-2.9%	-3.3%	2.7%	-5.6%	-4.1%
26e	-6.7%	-3.4%	-3.2%	-3.1%	-2.7%	-5.4%	-3.6%

Source: Bloomberg Finance L.P.

US, Eurozone and Japanese primary fiscal balance

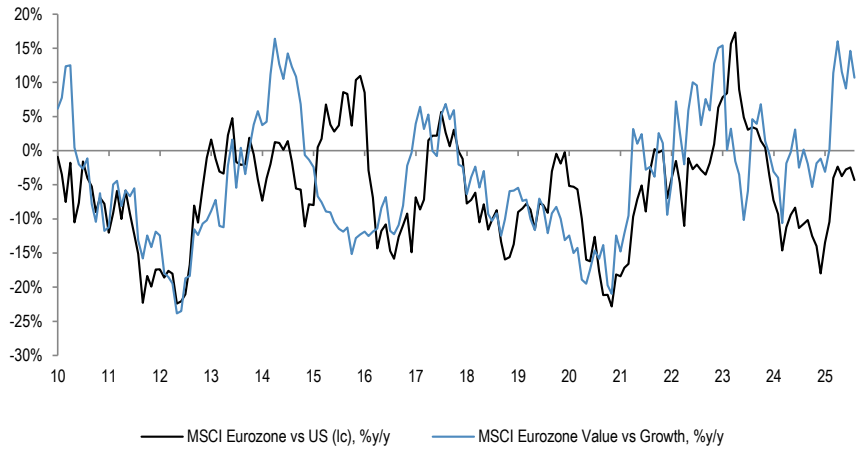


Source: IMF FISCAL MONITOR - April 2025
dotted lines show IMF forecasts

Eurozone relative performance has in the past tracked bond yields and Value/Growth style

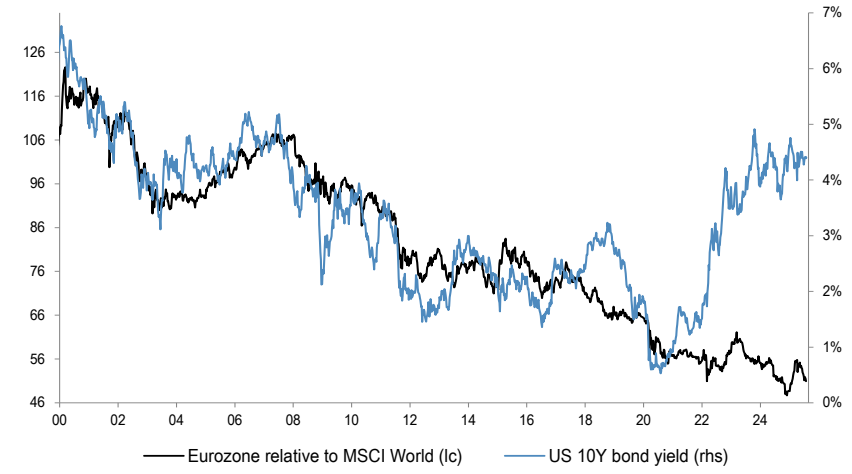
- Banks, and more broadly Value style vs Growth, trade closely with Eurozone vs US equity performance.
- Eurozone is also more exposed to China. Any green shoots in China should be a relative positive for Eurozone.

Eurozone vs US and Value vs Growth



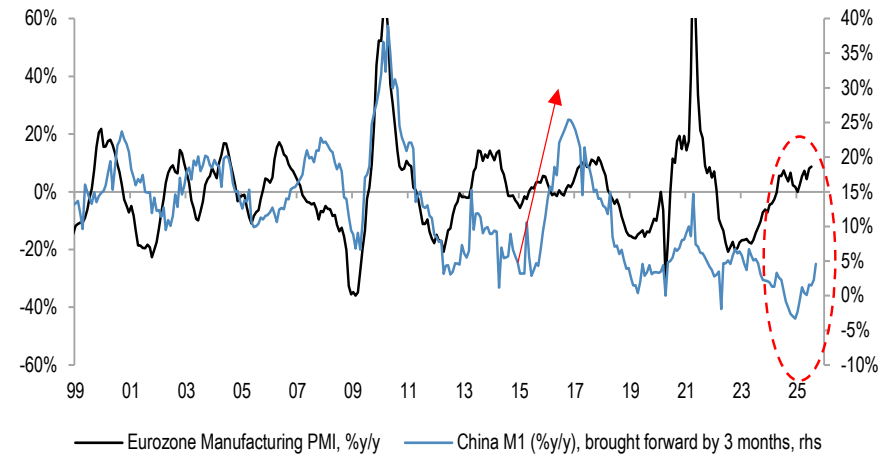
Source: Datastream

Eurozone relative to World and bond yields



Source: Datastream

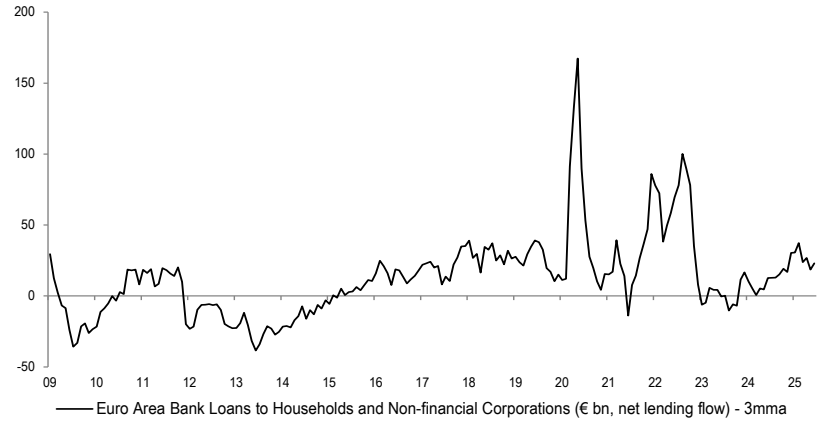
Eurozone Manufacturing PMI and China real M1



Source: Datastream

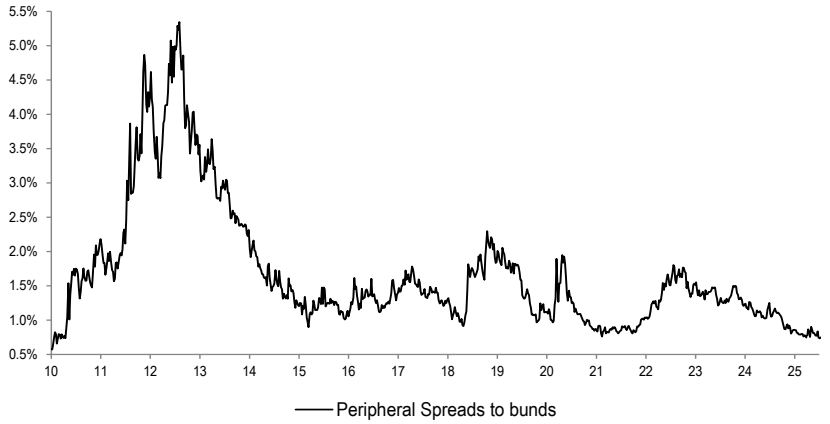
ECB remains a backstop against any material widening in peripheral spreads

Eurozone bank loans to HH and nonfinancial corporates


200
150
100
50
0
-50
09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
Euro Area Bank Loans to Households and Non-financial Corporations (€ bn, net lending flow) - 3mma

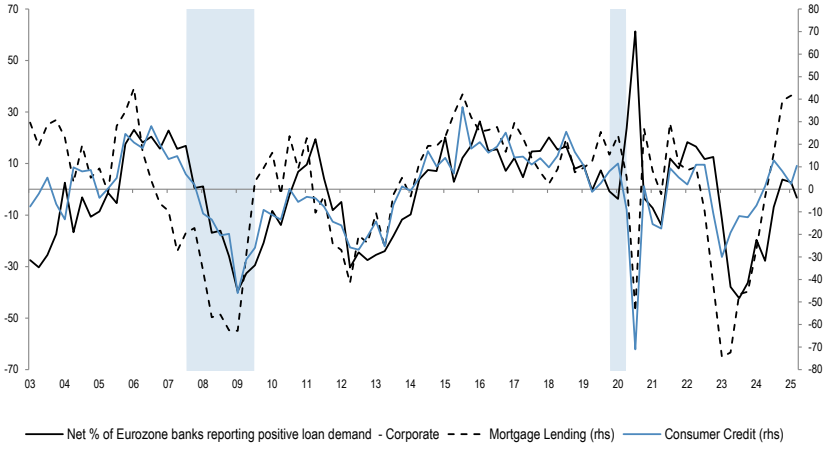
Source: ECB, J.P. Morgan

Peripheral spreads



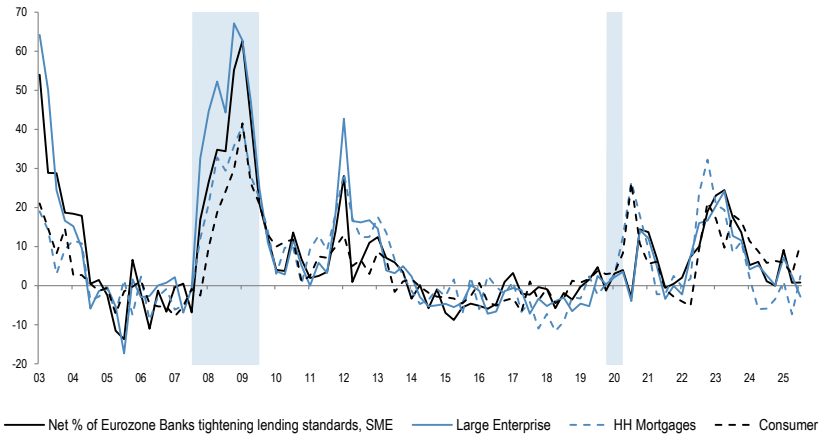
Source: Datastream

% Eurozone banks reporting positive loan demand



Source: ECB

% of Eurozone banks tightening lending standards

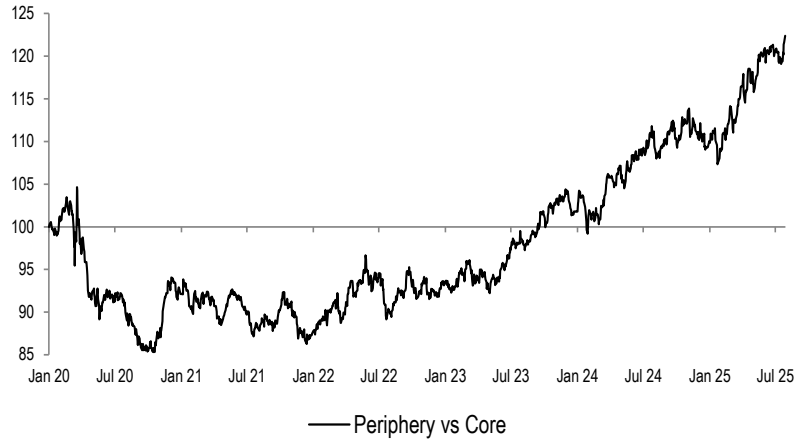


Source: ECB

Within Eurozone, we think that peripheral outperformance vs core, that took place over the past 4 years, could wane…

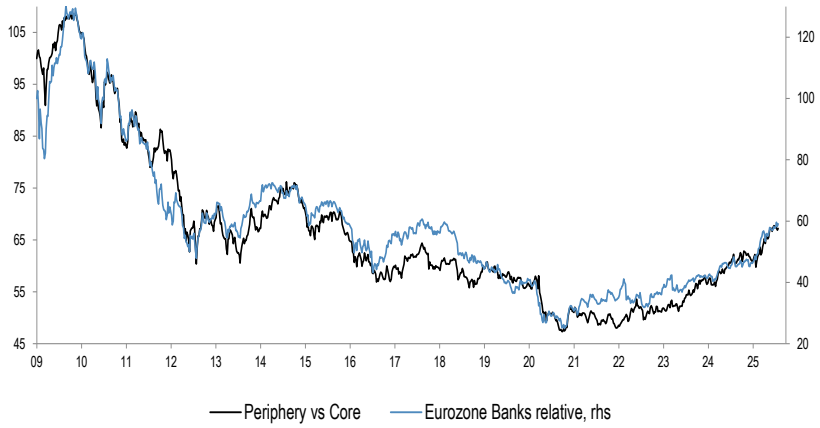
- Within Eurozone, Periphery has outperformed Core, likely as Periphery is a play on Banks, which have done very well. The outsized contribution of Banks in the performance of Periphery might become a headwind for the region if Banks start underperforming.
- The relative earnings trend of Periphery relative to Core appears to be peaking, and the performance could follow suit.

Periphery vs Core performance since Jan 2020



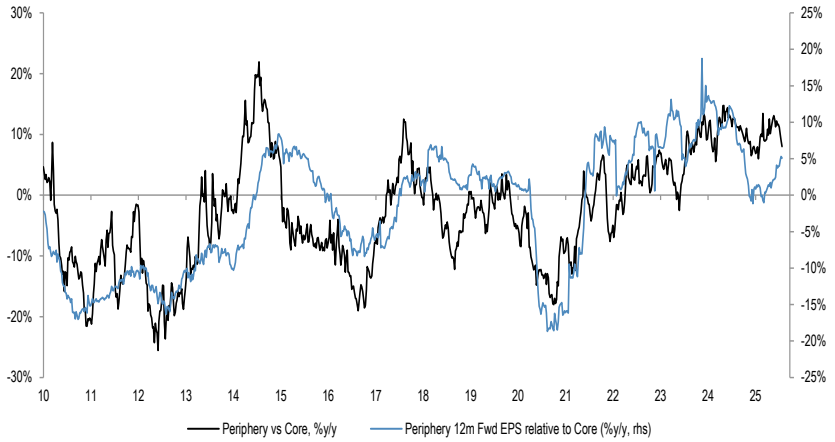
Source: Datastream

Periphery vs Core and Banks relative



Source: Datastream

Periphery vs Core - Price and EPS



Source: Datastream

…this is despite periphery still trading cheap

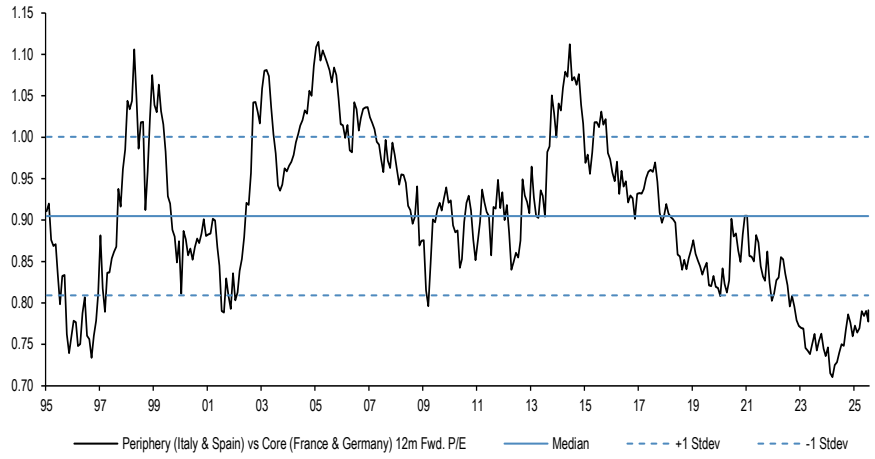
- Periphery vs Core PMIs have seen a meaningful roll over this year. There is a notable gap that has opened between relative PMI's and performance.
- Despite the strong performance, Periphery vs Core P/E still appears cheap.

Periphery vs Core performance since low in Oct'20

	Performance since Periphery vs Core low on 16th Oct'20
Germany	47%
France	54%
Italy	112%
Spain	122%
Periphery vs Core	43%

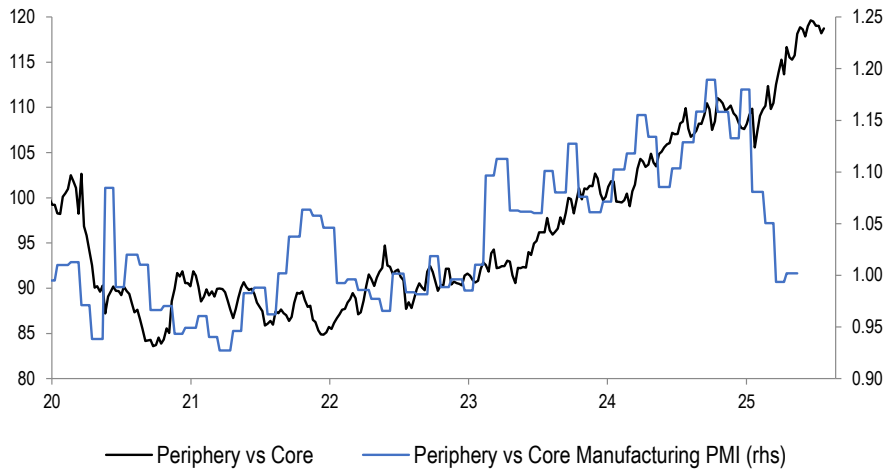
Source: Datastream

Periphery vs Core 12m Fwd P/E



Source: IBES

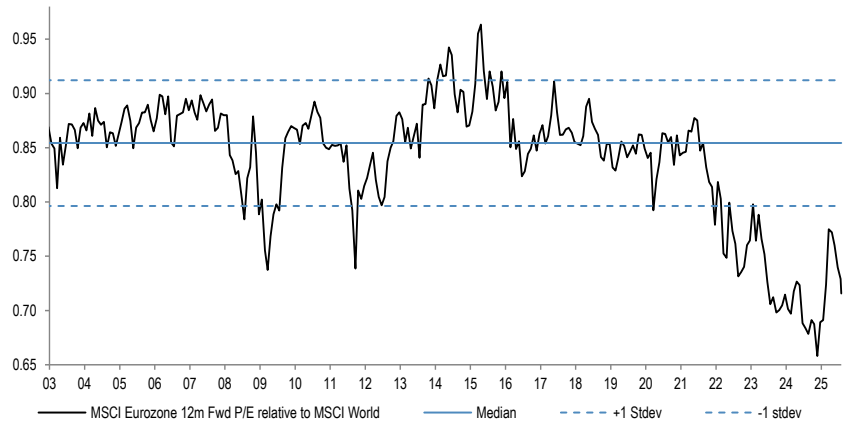
Periphery vs Core and Periphery vs Core Manufacturing PMI



Source: J.P.Morgan

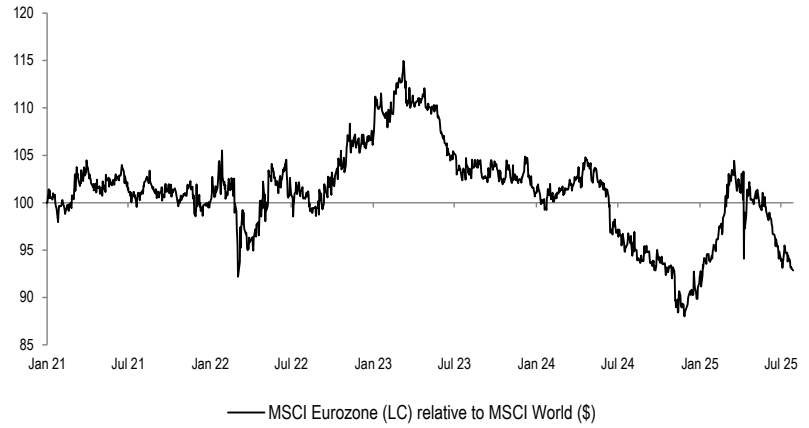
Eurozone snapshot

MSCI Eurozone 12m Fwd PE relative to MSCI World



Source: IBES

MSCI Eurozone performance relative to MSCI World



Source: Datastream

Eurozone Sector snapshot

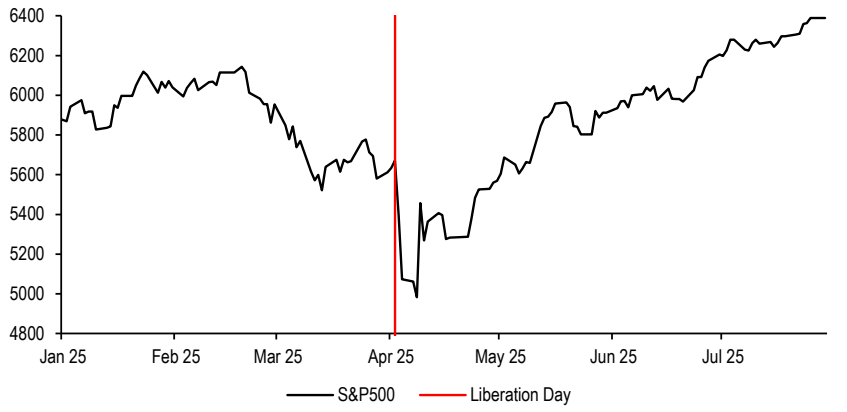
			Weight in Index		12m Fwd P/E		EPS growth, %	
	YTD Performance, %	YTD total return, %	Eurozone	vs MSCI World	Current	vs Median since '03	2025e	2026e
Eurozone	11.8%	14.8%	100%	0%	14.5	20.7%	1.6%	11.7%
Energy	3.5%	8.3%	3%	0%	8.7	-10.6%	-12.8%	9.0%
Materials	7.9%	10.6%	5%	1%	16.0	31.4%	4.0%	16.7%
Industrials	22.4%	24.8%	21%	9%	19.4	46.7%	10.6%	14.0%
Discretionary	-6.5%	-4.3%	11%	1%	14.0	14.5%	-7.6%	22.9%
Staples	4.9%	7.1%	6%	0%	16.9	14.3%	1.8%	8.6%
Healthcare	0.2%	2.2%	6%	-3%	14.2	-0.8%	9.1%	12.0%
Financials	32.1%	37.2%	24%	7%	9.9	0.8%	0.9%	8.1%
IT	-3.2%	-2.3%	12%	-14%	25.3	45.4%	8.4%	17.1%
Telecoms	8.8%	11.7%	5%	-4%	16.5	41.9%	-1.3%	15.5%
Utilities	19.8%	24.6%	6%	3%	13.5	17.9%	0.8%	1.1%
Real Estate	12.7%	19.0%	1%	-1%	11.4	-25.5%	13.5%	2.8%
Cyclicals	**6.4%**	**8.4%**	**36%**	**12%**	**18.2**	**37.1%**	**3.4%**	**17.8%**
Defensives	**7.6%**	**10.5%**	**23%**	**-3%**	**15.1**	**15.5%**	**3.0%**	**8.5%**

Source: IBES, Datastream

5) Neutral US – Stagflationary backdrop in 2H could arrest the rebound…

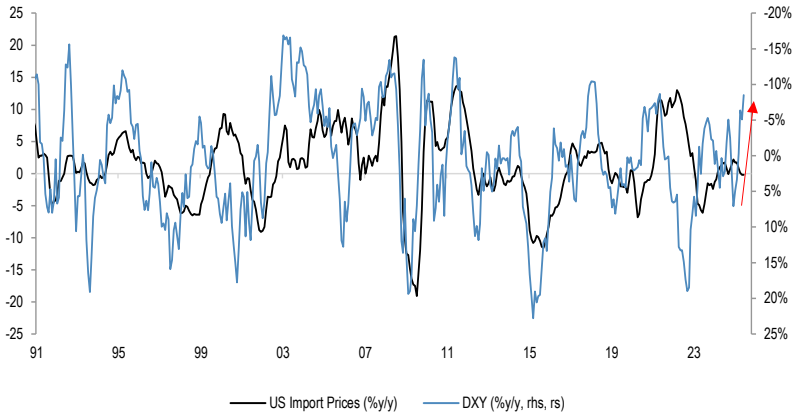
- S&P500 is up almost 20% since Liberation Day as Trump dialled back on his tariff narrative. We believe that the market is not discounting any risk of growth weakness or inflation spike.
- Growth-policy trade-off does not appear favourable. We expect the Fed to cut rates in 2H, but our economists are painting a rather stagflationary backdrop. If this view gains traction, we think that investors will be disappointed.
- USD has weakened considerably this year and could tactically firm up a bit given these moves. Medium term, USD is likely to remain under pressure. Historically, a weakening currency tends to lead to imported inflation in that region moving up. In the US, this correlation is clear between the USD and US import prices.

S&P500 ytd



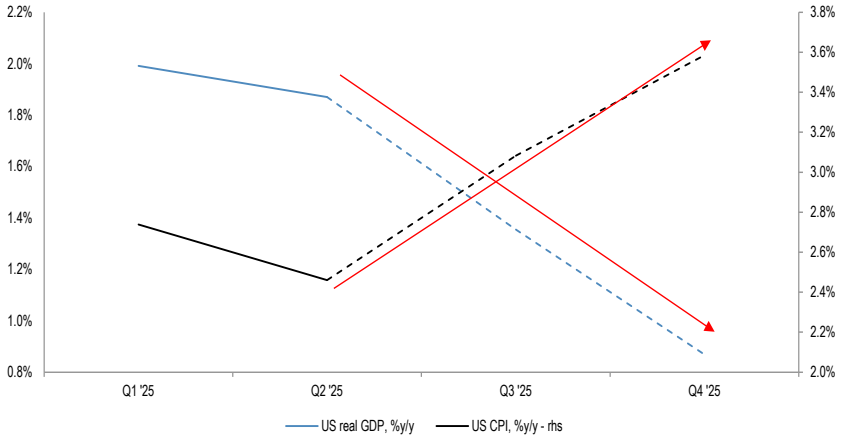
Source: Bloomberg Finance L.P.

US import prices and DXY



Source: Datastream

US GDP and CPI - JPM forecasts

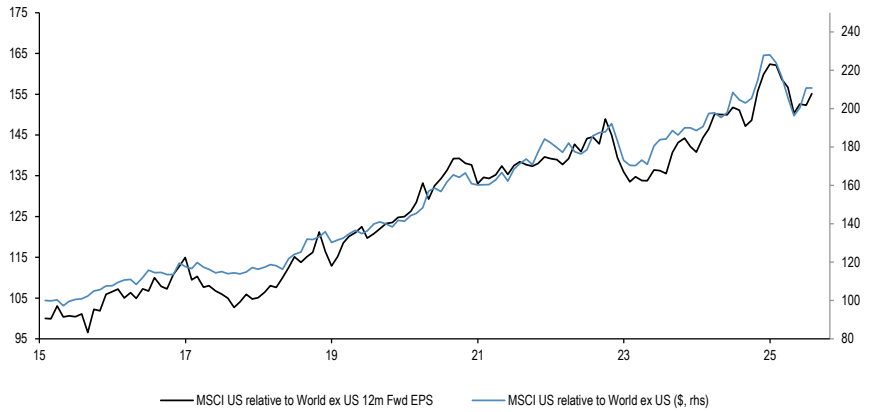


Source: J.P. Morgan

...US appears expensive vs World

- Taking the longer-term perspective, we note that the US is already trading at an extreme price relative and high earnings relative.
- US earnings revisions display a clear correlation to activity momentum and the recent rebound in earnings revisions should not sustain if ISM does not rebound.

MSCI US relative to World ex US - Price and EPS relative

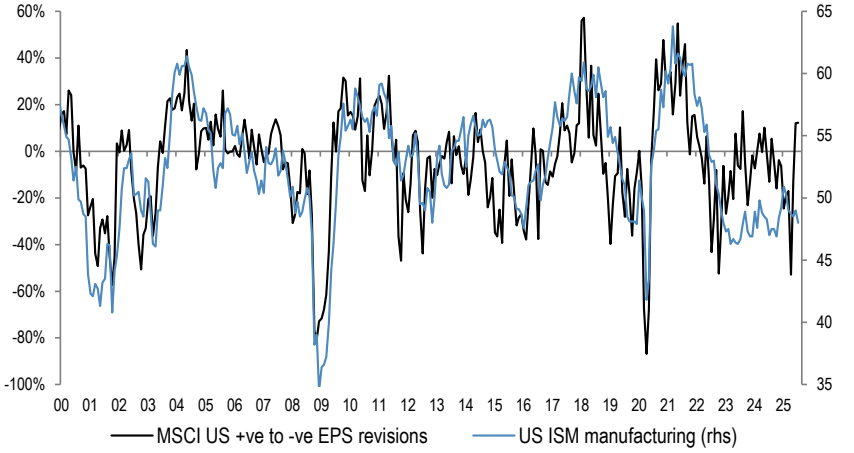


Source: IBES, Datastream

MSCI US 12m Fwd. P/E relative

Source: IBES

MSCI US EPS revisions and ISM

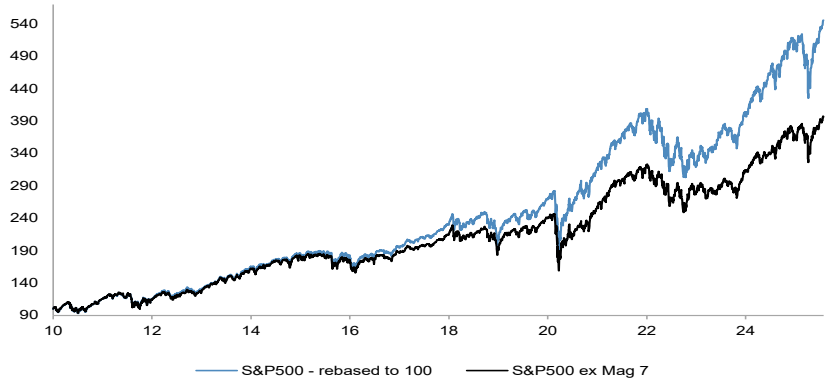


Source: IBES, S&P Global

Mag-7 stocks were the primary contributor to US equity performance over the last decade

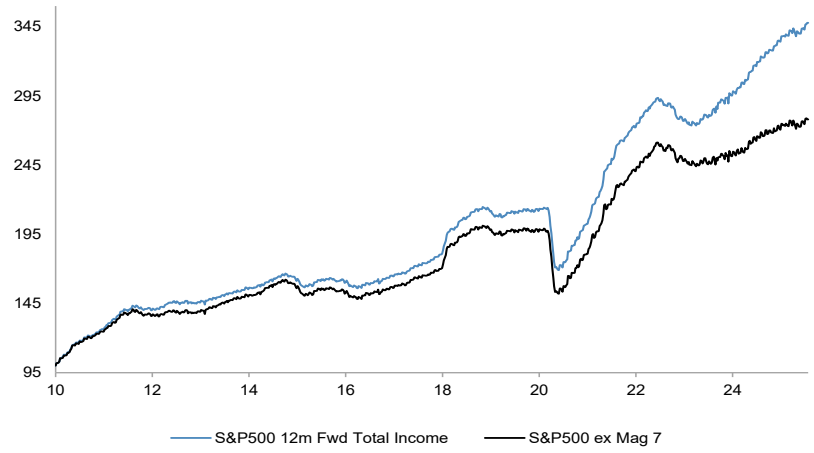
- A significant portion of the US performance can be attributed to Mag-7.
- This performance was supported by exceptionally strong earnings growth. The earnings of the Mag-7 group have increased at a CAGR of 20% since 2010, compared to a 7% CAGR for the remainder of S&P 500.
- Over the last few quarters, the earnings growth of the remaining 493 stocks in the S&P500 has been catching up to the delivery from the Mag-7.

S&P500 and S&P500 ex Mag 7



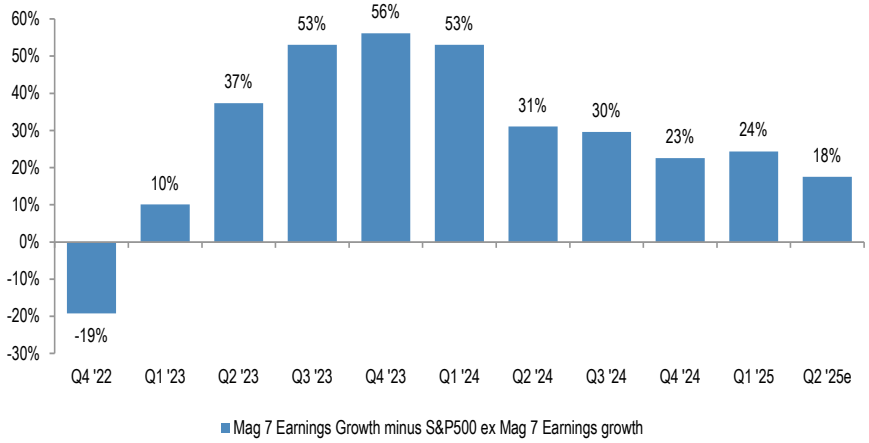
Source: Datastream

S&P500 and S&P500 ex Mag 7 12m Fwd Total Income



Source: IBES

Mag 7 Earnings Growth minus S&P500 ex Mag 7 Earnings Growth

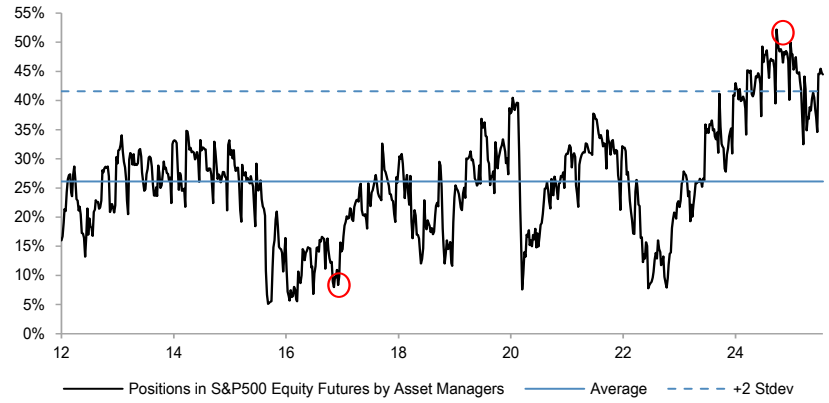


Source: Bloomberg Finance L.P., J.P. Morgan

Investor positioning is tactically low, but longer term elevated

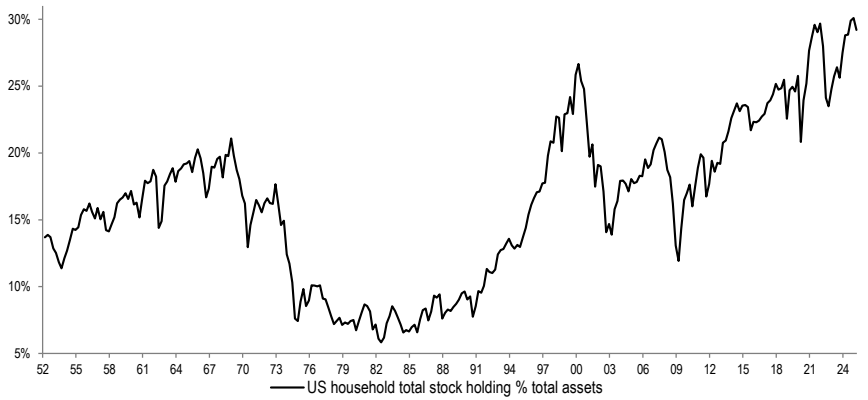
- We are also concerned about the elevated level of investor positioning in the US.
- This is not confined just to the institutional investor, US households also have close to record levels of equities on their balance sheet.
- US share of global equities is still a dramatic 70%+, and it was sub 50% post GFC.

Positions in S&P500 Equity futures by Asset Managers



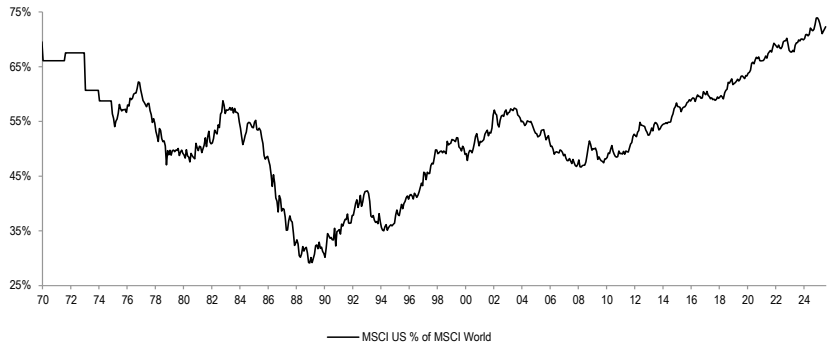
Source: Bloomberg Finance L.P.

US household ownership of stocks, % of total assets



Source: Federal Reserve, J.P. Morgan

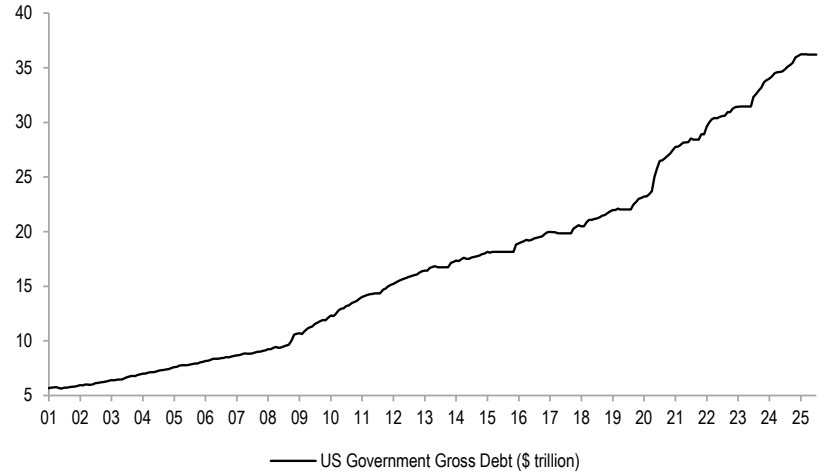
MSCI US % of MSCI World



Source: Datastream

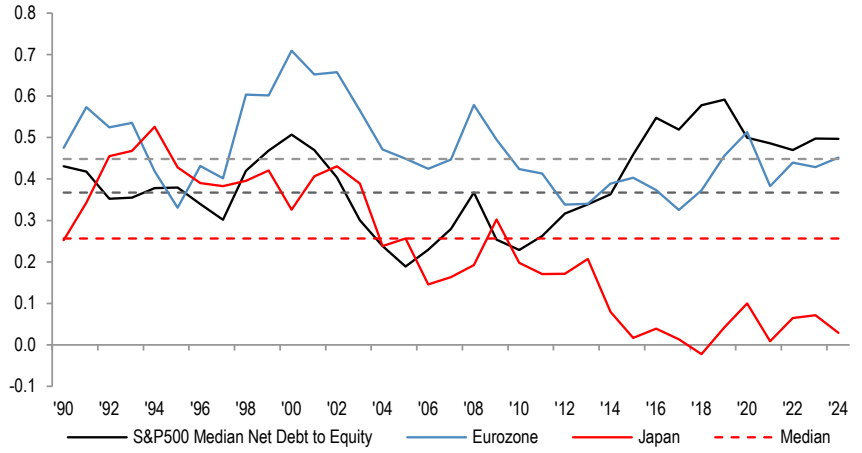
US government balances are stretched

US Government Debt



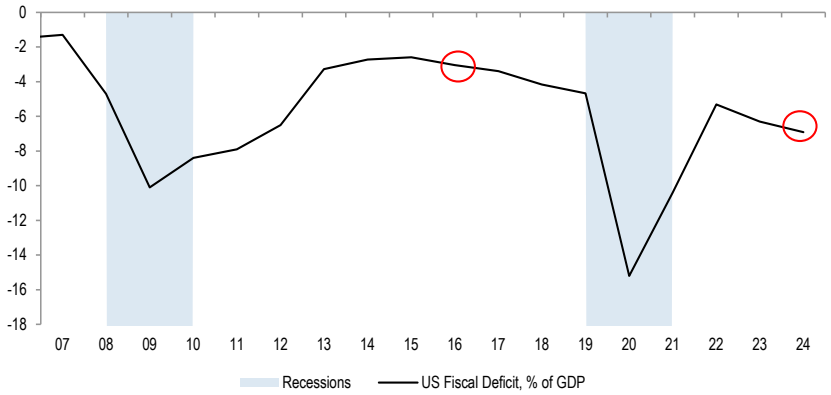
Source: Bloomberg Finance L.P.

Median net debt to equity of US, Europe and Japan



Source: Worldscope

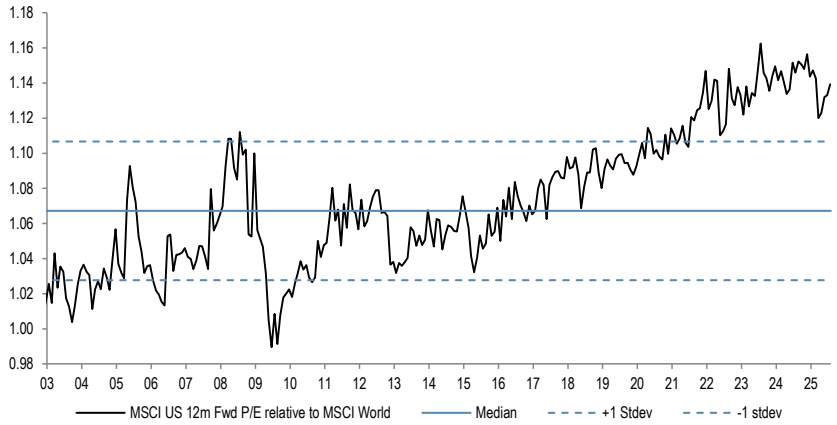
US Fiscal Deficit % of GDP



Source: Bloomberg Finance L.P.

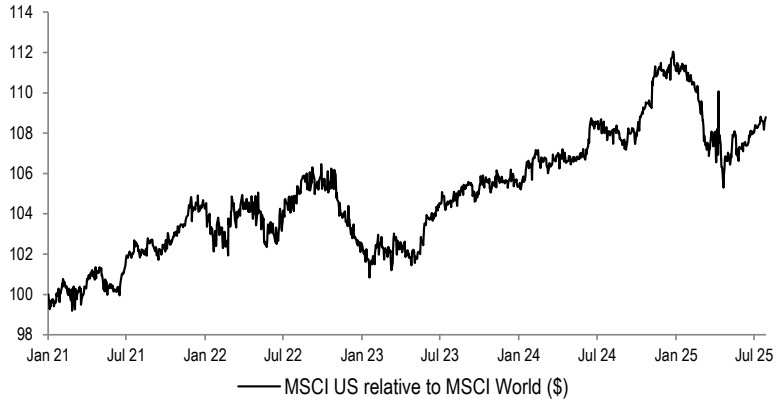
US snapshot

MSCI US 12m Fwd PE relative to MSCI World



Source: IBES

MSCI US performance relative to MSCI World



Source: Datastream

US Sector snapshot

			Weight in Index		12m Fwd P/E		EPS growth, %	
	YTD Perf, %	YTD total return, %	US	vs MSCI World	Current	vs Median since '06	2025e	2026e
US	8.8%	9.6%	100.0%	0.0%	23.0	41.2%	9.9%	14.3%
Energy	3.0%	4.7%	3.0%	-0.5%	15.3	19.7%	-12.0%	18.7%
Materials	7.2%	8.3%	2.0%	-1.2%	19.9	26.9%	3.9%	16.0%
Industrials	17.1%	17.9%	8.8%	-2.6%	25.5	56.1%	11.3%	15.8%
Discretionary	0.9%	1.3%	10.5%	0.4%	30.1	55.9%	2.5%	15.8%
Staples	3.2%	4.6%	5.4%	-0.6%	21.7	20.5%	0.3%	7.7%
Healthcare	-1.6%	-0.6%	9.4%	-0.2%	16.4	1.6%	14.1%	11.2%
Financials	10.5%	11.5%	13.8%	-3.3%	16.8	31.3%	6.5%	13.0%
IT	13.2%	13.5%	32.9%	6.8%	30.5	71.6%	19.2%	19.2%
Telecoms	11.1%	11.8%	9.8%	1.4%	20.5	29.0%	17.3%	9.6%
Utilities	10.2%	12.0%	2.3%	-0.3%	18.6	15.2%	4.4%	8.6%
Real Estate	1.8%	3.8%	2.1%	0.1%	36.6	-3.5%	-0.8%	14.5%
Cyclicals	**10.9%**	**11.4%**	**21.3%**	**-3.4%**	**29.0**	**64.0%**	**13.3%**	**17.7%**
Defensives	**4.7%**	**5.8%**	**26.9%**	**0.3%**	**18.8**	**13.7%**	**11.6%**	**9.8%**

Source: IBES, Datastream

Regional and Asset Allocation, with Index targets

Global All country Regional Allocation	MSCI Weight	Allocation	Deviation	Recommendation
EM	10.5%	14.0%	3.5%	Overweight
DM	89.5%	86.0%	-3.5%	Underweight
	100.0%	**100.0%**	**0.0%**	**Balanced**

Global Developed Regional Allocation	MSCI Weight	Allocation	Deviation	Recommendation
US	72.9%	70.0%	-2.9%	Neutral
Japan	5.2%	7.0%	1.8%	Overweight
Eurozone	8.4%	9.0%	0.6%	Neutral
UK	3.5%	4.0%	0.5%	Neutral
Others*	9.9%	10.0%	0.1%	Neutral
	100.0%	**100.0%**	**0.0%**	**Balanced**

European Regional Allocation	MSCI Weight	Allocation	Deviation	Recommendation
Eurozone	52.6%	52.0%	-0.6%	Neutral
United Kingdom	22.1%	25.0%	2.9%	Overweight
Others**	25.3%	23.0%	-2.3%	Neutral
	100.0%	**100.0%**		**Balanced**

Asset Allocation	Benchmark weighting	Allocation	Deviation	Recommendation
Equities	60%	60%	0%	Neutral
Bonds	30%	30%	0%	Neutral
Cash	10%	10%	0%	Neutral
	100%	**100%**	**0%**	**Balanced**

Source: MSCI, J.P. Morgan, Datastream. All regional recommendations are currency hedged.
**Others include Denmark, Norway, Sweden and Switzerland
*Others include Australia, Canada, Singapore, Hong Kong SAR, Denmark, Norway, Sweden and Switzerland
Note: Our Overweight/Underweight recommendations reflect our belief that the relevant region will out- / underperform the index over the next 6 to 12 months.
***Targets and growth estimates from our regional strategists

Year end Index Targets	Dec '25 Target	% upside*
MSCI Eurozone	**345**	6%
FTSE 100	**9000**	-1%

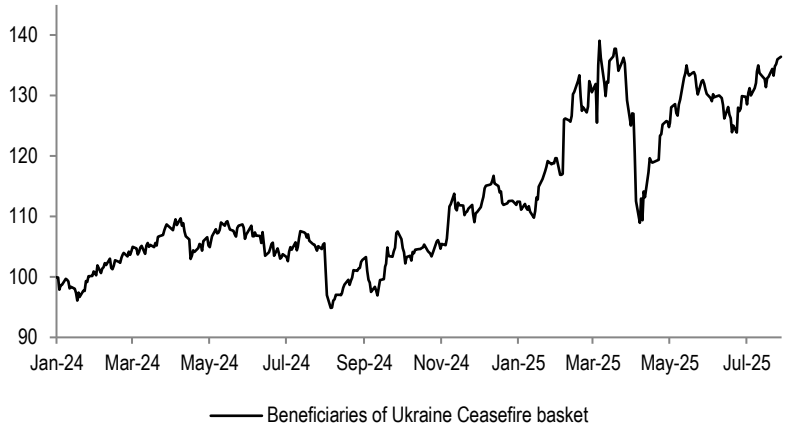
Source: J.P. Morgan, Datastream. *As of COB 31st Jul '25

Key Global Sector Calls	
Sector	**JPM Recommendation**
Chemicals	Overweight
Insurance	Overweight
Software	Overweight
Real Estate	Overweight
Aerospace & Defence	Overweight
Metals & Mining	Overweight
Energy	Neutral
Staples	Neutral
Construction Materials	Neutral
Capital Goods ex A&D	Neutral
Uiltiies	Neutral
Autos	Underweight
Semis	Underweight
Luxury	Underweight

Themes and Baskets: 1) Beneficiaries of Ukraine Ceasefire

- Our Ukraine Ceasefire Winners basket includes names that could potentially outperform in an event of a ceasefire and from rebuilding efforts in Ukraine. It includes Banks, construction firms and companies that can trade better if oil and natural gas prices move lower from here.

JPM European Beneficiaries of Ukraine Ceasefire Basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

European Beneficiaries of a Ukraine Ceasefire - JPEUUKRN

Name	Ticker	Sector
LPP SA	LPP PW	Discretionary
NAC Kazatomprom JSC	KAP LI	Energy
UniCredit SpA	UCG IM	Financials
KBC Group NV	KBC BB	Financials
Erste Group Bank AG	EBS AV	Financials
Powszechna Kasa Oszczednosci Bank Polski SA	PKO PW	Financials
OTP Bank Nyrt	OTP HB	Financials
Santander Bank Polska SA	SPL PW	Financials
Bank Polska Kasa Opieki SA	PEO PW	Financials
Raiffeisen Bank International AG	RBI AV	Financials
mBank SA	MBK PW	Financials
Alior Bank SA	ALR PW	Financials
Volvo AB	VOLVB SS	Industrials
Ferrovial SE	FER SQ	Industrials
Ryanair Holdings PLC	RYA ID	Industrials
Sandvik AB	SAND SS	Industrials
Traton SE	8TRA GY	Industrials
Aeroports de Paris SA	ADP FP	Industrials
Metso Oyj	METSO FH	Industrials
Deutsche Lufthansa AG	LHA GY	Industrials
Fraport AG Frankfurt Airport Services Worldwide	FRA GY	Industrials
ROCKWOOL A/S	ROCKB DC	Industrials
Budimex SA	BDX PW	Industrials
FLSmidth & Co A/S	FLS DC	Industrials
Wizz Air Holdings Plc	WIZZ LN	Industrials
Hexagon AB	HEXAB SS	IT
Holcim AG	HOLN SE	Materials
CRH PLC	CRH LN	Materials
Heidelberg Materials AG	HEI GY	Materials
ArcelorMittal SA	MT NA	Materials
UPM-Kymmene Oyj	UPM FH	Materials
Buzzi SpA	BZU IM	Materials
Stora Enso Oyj	STERV FH	Materials
thyssenkrupp AG	TKA GY	Materials
voestalpine AG	VOE AV	Materials
Wienerberger AG	WIE AV	Materials
Breedon Group PLC	BREE LN	Materials
Ferrexpo PLC	FXPO LN	Materials
Coca-Cola HBC AG	CCH LN	Staples

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

2) EU – US Trade Tariffs

- Our EU - US Trade Tariffs basket is a selection of companies that are expected to be negatively impacted by the protectionist tariffs and trade policies anticipated under Trump's administration. The names are based on J.P.Morgan's European Equity Research Spotlight report, as well as market reactivity post the US Elections.

European stocks exposed to EU - US Trade Tariffs - JPEUTRF

Name	Ticker	Sector
Bollore SE	BOL FP	Comm. Srvcs
Volvo Car AB	VOLCARB SS	Discretionary
Industria de Diseno Textil SA	ITX SQ	Discretionary
Valeo SE	FR FP	Discretionary
Mercedes-Benz Group AG	MBG GY	Discretionary
Dr Ing hc F Porsche AG	P911 GY	Discretionary
Bayerische Motoren Werke AG	BMW GY	Discretionary
Porsche Automobil Holding SE	PAH3 GY	Discretionary
H & M Hennes & Mauritz AB	HMB SS	Discretionary
AP Moller - Maersk A/S	MAERSKB DC	Industrials
Hapag-Lloyd AG	HLAG GY	Industrials
Kuehne + Nagel International A	KNIN SE	Industrials
MPC Container Ships ASA	MPCC NO	Industrials
Bureau Veritas SA	BVI FP	Industrials
Deutsche Post AG	DHL GY	Industrials
Daimler Truck Holding AG	DTG GY	Industrials
SGS SA	SGSN SE	Industrials
Airbus SE	AIR FP	Industrials
D/S Norden A/S	DNORD DC	Industrials
Golden Ocean Group Ltd	GOGL NO	Industrials
RS GROUP PLC	RS1 LN	Industrials
DSV A/S	DSV DC	Industrials
Intertek Group PLC	ITRK LN	Industrials
Logitech International SA	LOGN SE	IT
ASM International NV	ASM NA	IT
Antofagasta PLC	ANTO LN	Materials
Anglo American PLC	AAL LN	Materials
APERAM SA	APAM NA	Materials
Boliden AB	BOL SS	Materials
ArcelorMittal SA	MT NA	Materials
Salzgitter AG	SZG GY	Materials
voestalpine AG	VOE AV	Materials
BHP Group Ltd	BHP LN	Materials
Unibail-Rodamco-Westfield	URW FP	Real Estate
Fevertree Drinks PLC	FEVR LN	Staples
Reckitt Benckiser Group PLC	RKT LN	Staples
Glanbia PLC	GLB ID	Staples
Anheuser-Busch InBev SA/NV	ABI BB	Staples
Henkel AG & Co KGaA	HEN3 GY	Staples
Davide Campari-Milano NV	CPR IM	Staples
Beiersdorf AG	BEI GY	Staples
Nestle SA	NESN SE	Staples
Puig Brands SA	PUIG SQ	Staples
Danone SA	BN FP	Staples
Heineken Holding NV	HEIO NA	Staples
Heineken NV	HEIA NA	Staples
Kerry Group PLC	KYGA ID	Staples
Remy Cointreau SA	RCO FP	Staples
Pernod Ricard SA	RI FP	Staples
Unilever PLC	ULVR LN	Staples
L'Oreal SA	OR FP	Staples
Haleon PLC	HLN LN	Staples
Essity AB	ESSITYB SS	Staples
AAK AB	AAK SS	Staples
Diageo PLC	DGE LN	Staples

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

3) European Winners of US Deregulation and potential US corporate tax cut

- Our European Winners of US Deregulation basket comprises of stocks with meaningful cost exposure or operations in the US, and can benefit from tax cuts or deregulation in the US.

European Winners of US Deregulation and corporate tax cuts - JPEUUSDR

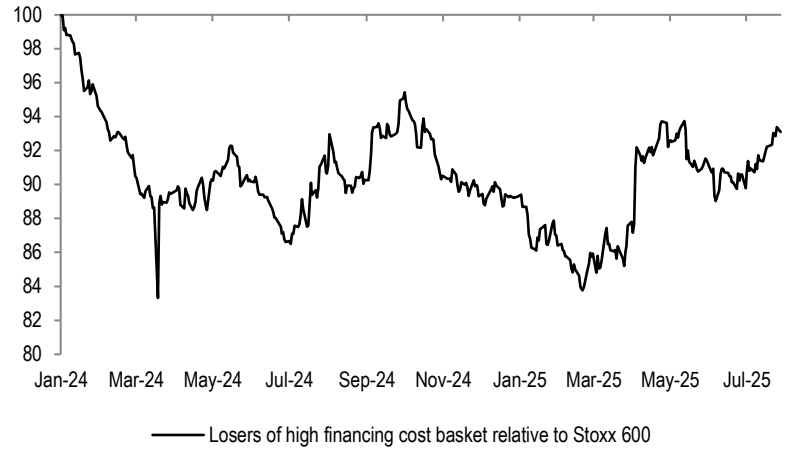
Name	Ticker	Sector
Deutsche Telekom AG	DTE GR	Comm. Srvcs
Pearson PLC	PSON LN	Discretionary
Sodexo SA	SW FP	Discretionary
Compass Group PLC	CPG LN	Discretionary
InterContinental Hotels Group	IHG LN	Discretionary
Entain PLC	ENT LN	Discretionary
Evolution AB	EVO SS	Discretionary
Flutter Entertainment PLC	FLTR LN	Discretionary
Nestle SA	NESN SW	Staples
Beiersdorf AG	BEI GR	Staples
HelloFresh SE	HFG GR	Staples
British American Tobacco PLC	BATS LN	Staples
Imperial Brands PLC	IMB LN	Staples
Koninklijke Ahold Delhaize NV	AD NA	Staples
BP PLC	BP/ LN	Energy
Repsol SA	REP SM	Energy
BNP Paribas SA	BNP FP	Financials
Aegon Ltd	AGN NA	Financials
HSBC Holdings PLC	HSBA LN	Financials
Banco Santander SA	SAN SM	Financials
UBS Group AG	UBSG SW	Financials
Deutsche Bank AG	DBK GR	Financials
Barclays PLC	BARC LN	Financials
Beazley PLC	BEZ LN	Financials
EssilorLuxottica SA	EL FP	Health care
Sanofi SA	SAN FP	Health care
Novo Nordisk A/S	NOVOB DC	Health care
Fresenius Medical Care AG	FME GR	Health care
Rexel SA	RXL FP	Industrials
IMI PLC	IMI LN	Industrials
Experian PLC	EXPN LN	Industrials
BAE Systems PLC	BA/ LN	Industrials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

4) Losers of Higher financing costs

- Our basket of European companies sensitive to increasing financing costs has corporates with a larger than typical share of revenue growth tied to the availability of cheap financing and elevated leverage ratios. These stocks are typically hurt the most by higher rates

JPM European losers of high financing costs basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European losers of higher financing costs - JPDEHFCL

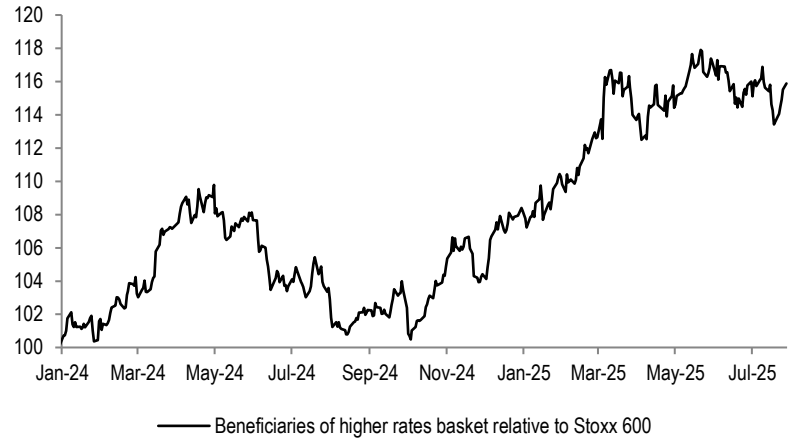
Name	Ticker	Sector	ND/EBITD A 2025e
Ocado Group PLC	OCDO LN	Staples	9.5
United Utilities Group PLC	UU/ LN	Utilities	8.8
Severn Trent PLC	SVT LN	Utilities	7.4
National Grid PLC	NG/ LN	Utilities	6.5
Cellnex Telecom SA	CLNX SM	Comm. Srvcs	6.1
Infrastrutture Wireless Italia	INW IM	Comm. Srvcs	5.1
Enagas SA	ENG SM	Utilities	5.1
Grifols SA	GRF SM	Health care	4.1
Fresenius SE & Co KGaA	FRE GR	Health care	3.6
Bayer AG	BAYN GR	Health care	3.2
Wizz Air Holdings Plc	WIZZ LN	Industrials	3.1
Air France-KLM	AF FP	Industrials	3.1
Fresenius Medical Care AG	FME GR	Health care	2.9
Nexi SpA	NEXI IM	Financials	2.9
LANXESS AG	LXS GR	Materials	2.9
Diageo PLC	DGE LN	Staples	2.7
Pernod Ricard SA	RI FP	Staples	2.7
Anheuser-Busch InBev SA/NV	ABI BB	Staples	2.7
Coca-Cola HBC AG	CCH LN	Staples	2.7
Umicore SA	UMI BB	Materials	2.6
Givaudan SA	GIVN SW	Materials	2.5
British American Tobacco PLC	BATS LN	Staples	2.4
Electrolux AB	ELUXB SS	Discretionary	2.4
Akzo Nobel NV	AKZA NA	Materials	2.4
Carrefour SA	CA FP	Staples	2.2
Fluidra SA	FDR SM	Industrials	2.1
Koninklijke Philips NV	PHIA NA	Health care	2.0
Worldline SA/France	WLN FP	Financials	1.8
Valeo SE	FR FP	Discretionary	1.2

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

5) Beneficiaries of higher rates

- Stocks in our winners of higher rates basket tend to be cash rich and earn more interest than they pay as interest expense, thereby benefitting in an environment of higher yields.

JPM European beneficiaries of higher rates basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European net beneficiaries of higher rates- JPDEHFCW

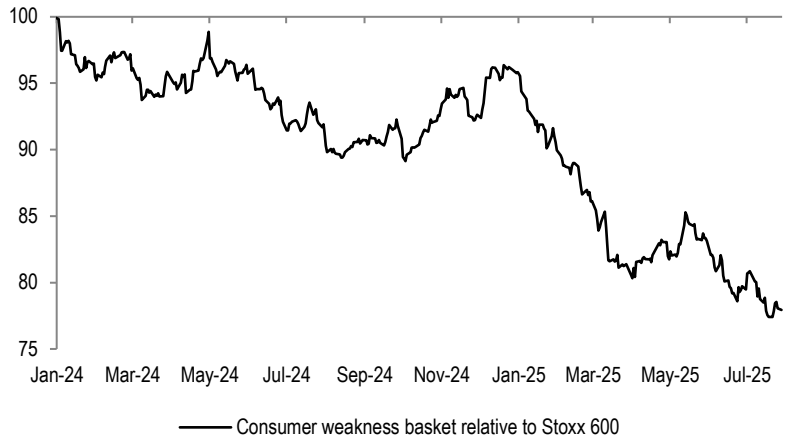
Name	Ticker	Sector
Publicis Groupe SA	PUB FP	Comm. Srvcs
Industria de Diseno Textil SA	ITX SM	Discretionary
Renault SA	RNO FP	Discretionary
Mercedes-Benz Group AG	MBG GR	Discretionary
Stellantis NV	STLAM IM	Discretionary
Beiersdorf AG	BEI GR	Staples
Banco BPM SpA	BAMI IM	Financials
Intesa Sanpaolo SpA	ISP IM	Financials
UniCredit SpA	UCG IM	Financials
CaixaBank SA	CABK SM	Financials
AIB Group PLC	AIBG ID	Financials
Bank of Ireland Group PLC	BIRG ID	Financials
Bankinter SA	BKT SM	Financials
Epiroc AB	EPIA SS	Industrials
Dassault Aviation SA	AM FP	Industrials
Airbus SE	AIR FP	Industrials
Ryanair Holdings PLC	RYA ID	Industrials
Wartsila OYJ Abp	WRT1V FH	Industrials
Siemens Energy AG	ENR GR	Industrials
Dassault Systemes SE	DSY FP	IT
SAP SE	SAP GR	IT
Centrica PLC	CNA LN	Utilities

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

6) Companies sensitive to low-end consumer

- The low-end consumer has been disproportionately hurt by the cost-of-living crisis. Our basket comprises of stocks with meaningful exposure to the low-end consumer, and at risk of underperforming as the consumer comes under further pressure.

JPM European consumer weakness basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European consumer weakness basket - JPDEEUCW

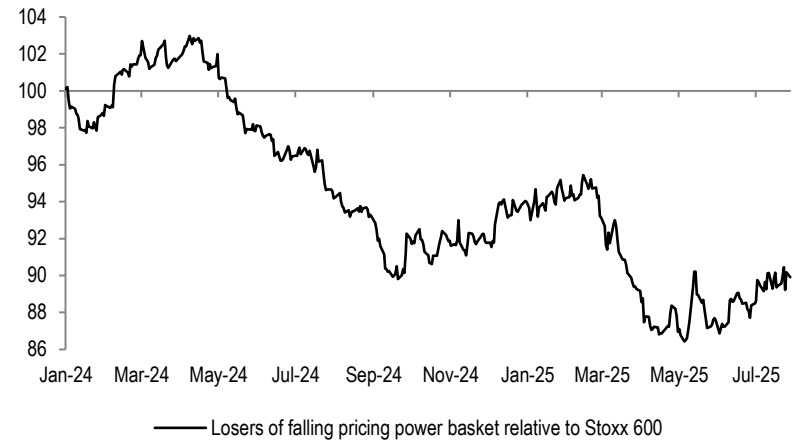
Name	Ticker	Sector
WPP PLC	WPP LN	Comm. Srvcs
Publicis Groupe SA	PUB FP	Comm. Srvcs
Electrolux AB	ELUXB SS	Discretionary
JD Sports Fashion PLC	JD/ LN	Discretionary
Pandora A/S	PNDORA DC	Discretionary
Puma SE	PUM GR	Discretionary
adidas AG	ADS GR	Discretionary
Whitbread PLC	WTB LN	Discretionary
Accor SA	AC FP	Discretionary
Renault SA	RNO FP	Discretionary
Amadeus IT Group SA	AMS SM	Discretionary
H & M Hennes & Mauritz AB	HMB SS	Discretionary
InterContinental Hotels Group	IHG LN	Discretionary
Stellantis NV	STLAM IM	Discretionary
Unilever PLC	ULVR LN	Staples
Anheuser-Busch InBev SA/NV	ABI BB	Staples
Associated British Foods PLC	ABF LN	Staples
HelloFresh SE	HFG GR	Staples
Coca-Cola HBC AG	CCH LN	Staples
Koninklijke Philips NV	PHIA NA	Health care
Straumann Holding AG	STMN SW	Health care
easyJet PLC	EZJ LN	Industrials
Croda International PLC	CRDA LN	Materials
DSM-Firmenich AG	DSFIR NA	Materials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

7) Losers of falling pricing power

- Our basket comprises of stocks that benefitted from strong pricing power post the COVID dislocations, resulting in significant margin expansion vs 2019. Margins of these companies should be at risk of contracting as pricing deteriorates.

JPM European losers of falling pricing power basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European losers of falling pricing power- JPDEEUPP

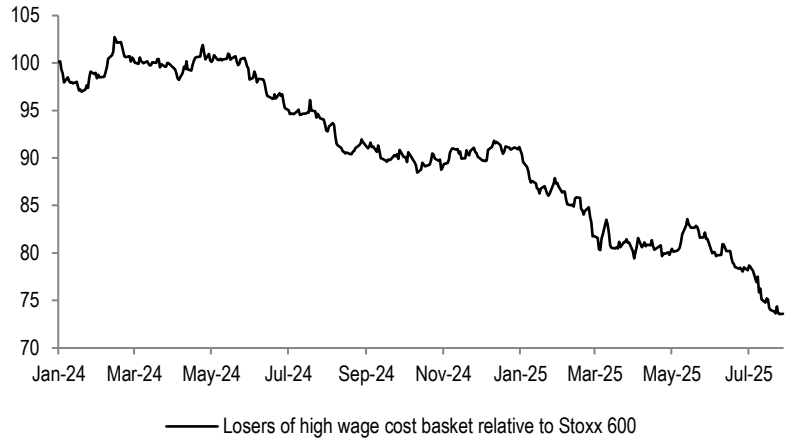
Name	Ticker	Sector
WPP PLC	WPP LN	Comm. Srvcs
Publicis Groupe SA	PUB FP	Comm. Srvcs
Cie Generale des Etablissement	ML FP	Discretionary
LVMH Moet Hennessy Louis Vuitt	MC FP	Discretionary
Hermes International SCA	RMS FP	Discretionary
Burberry Group PLC	BRBY LN	Discretionary
Moncler SpA	MONC IM	Discretionary
Cie Financiere Richemont SA	CFR SW	Discretionary
Whitbread PLC	WTB LN	Discretionary
Bayerische Motoren Werke AG	BMW GR	Discretionary
Swatch Group AG/The	UHR SW	Discretionary
Kering SA	KER FP	Discretionary
Evolution AB	EVO SS	Discretionary
Mercedes-Benz Group AG	MBG GR	Discretionary
Ferrari NV	RACE IM	Discretionary
Beiersdorf AG	BEI GR	Staples
British American Tobacco PLC	BATS LN	Staples
Coca-Cola HBC AG	CCH LN	Staples
Imperial Brands PLC	IMB LN	Staples
BP PLC	BP/ LN	Energy
Eni SpA	ENI IM	Energy
Shell PLC	SHEL LN	Energy
TotalEnergies SE	TTE FP	Energy
Volvo AB	VOLVB SS	Industrials
DSV A/S	DSV DC	Industrials
VAT Group AG	VACN SW	Industrials
Daimler Truck Holding AG	DTG GR	Industrials
Deutsche Post AG	DHL GR	Industrials
AP Moller - Maersk A/S	MAERSKB DC	Industrials
Infineon Technologies AG	IFX GR	IT
STMicroelectronics NV	STMPA FP	IT
Svenska Cellulosa AB SCA	SCAB SS	Materials
SSE PLC	SSE LN	Utilities

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

8) High wage costs losers

- The basket comprises of stocks that have an elevated proportion of wage costs, that can't be passed on to their customers, and can see a margin impact going forward.

JPM European high wage costs losers basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European losers of high wage costs -JPDEHWCL

Name	Ticker	Sector
WPP PLC	WPP LN	Comm. Srvcs
Publicis Groupe SA	PUB FP	Comm. Srvcs
Stellantis NV	STLAM IM	Discretionary
Associated British Foods PLC	ABF LN	Staples
EssilorLuxottica SA	EL FP	Health care
Fresenius Medical Care AG	FME GR	Health care
Capgemini SE	CAP FP	IT
Givaudan SA	GIVN SW	Materials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

9) Winners from the AI theme

- Our basket of winners from the AI theme includes companies that are set to gain from Artificial Intelligence to improve products or gain a strategic edge over their competitors.

JPM European Winners of AI theme - JPDEEAIW

Name	Ticker	Sector
Publicis Groupe SA	PUB FP	Comm. Srvcs
RELX PLC	REL LN	Industrials
Sage Group PLC/The	SGE LN	IT
Capgemini SE	CAP FP	IT
SAP SE	SAP GR	IT

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

10) Defense champions basket

- The basket comprises of stocks exposed to the European Defense space, which are likely to be long-term winners as countries reverse decades of under-investment in Defense.

JPM European defense champions basket relative

Source: Bloomberg Finance L.P., J.P. Morgan

JPM European defense champions - JPEUDEFN

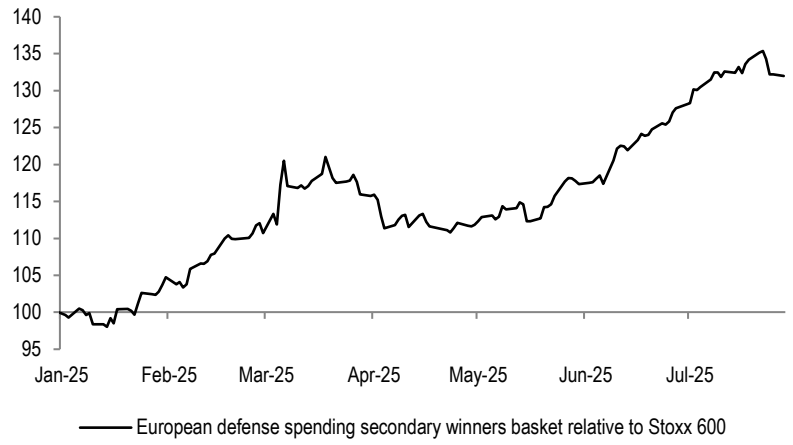
Name	Ticker	Sector
BAE Systems PLC	BA/ LN	Industrials
Dassault Aviation SA	AM FP	Industrials
Saab Automobile AB	SAABA SS	Industrials
Thales SA	HO FP	Industrials
Rheinmetall AG	RHM GY	Industrials
QinetiQ Group PLC	QQ/ LN	Industrials
Hensoldt AG	HAG GY	Industrials
Babcock International Group PL	BAB LN	Industrials
Leonardo SpA	LDO IM	Industrials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

11) Defense supply chain basket

- The basket comprises of companies that could indirectly benefit from increased European Defense spending, including those with potential supply chain involvement and diverse capabilities in technology, precision engineering, manufacturing, and automation, which could support various Defense-related needs and projects.

JPM European defense supply chain basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European defense supply chain - JPEUDEFS

Name	Ticker	Sector
SES SA	SESG FP	Comm Srvcs
Eutelsat Communications SACA	ETL FP	Comm Srvcs
Schaeffler AG	SHA0 GY	Discretionary
Kongsberg Gruppen ASA	KOG NO	Industrials
Smiths Group PLC	SMIN LN	Industrials
Iveco Group NV	IVG IM	Industrials
Aalberts NV	AALB NA	Industrials
Serco Group PLC	SRP LN	Industrials
Exosens SAS	EXENS FP	Industrials
Bodycote PLC	BOY LN	Industrials
Morgan Advanced Materials PLC	MGAM LN	Industrials
Stabilus SE	STM GY	Industrials
SAP SE	SAP GY	IT
Dassault Systemes SE	DSY FP	IT
Infineon Technologies AG	IFX GY	IT
Capgemini SE	CAP FP	IT
Hexagon AB	HEXAB SS	IT
Indra Sistemas SA	IDR SQ	IT
Jenoptik AG	JEN GY	IT
NORBIT ASA	NORBT NO	IT
thyssenkrupp AG	TKA GY	Materials
Umicore SA	UMI BB	Materials
SSAB AB	SSABA SS	Materials
Elementis PLC	ELM LN	Materials
Victrex PLC	VCT LN	Materials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

12) Germany Whatever it takes basket

- The Germany Whatever It Takes basket comprises stocks that are likely to be beneficiaries of increased infrastructure spending and broader economic stimulus. Stocks geared to Infra segments like Rail, construction equipment, manufacturing, transportation etc., as well as those with contracting divisions in Germany, among others, should benefit directly from rising infrastructure spend.

JPM Germany Whatever It Takes basket relative

Source: Bloomberg Finance L.P., J.P. Morgan

JPM Germany Whatever It Takes- JPDEFISC

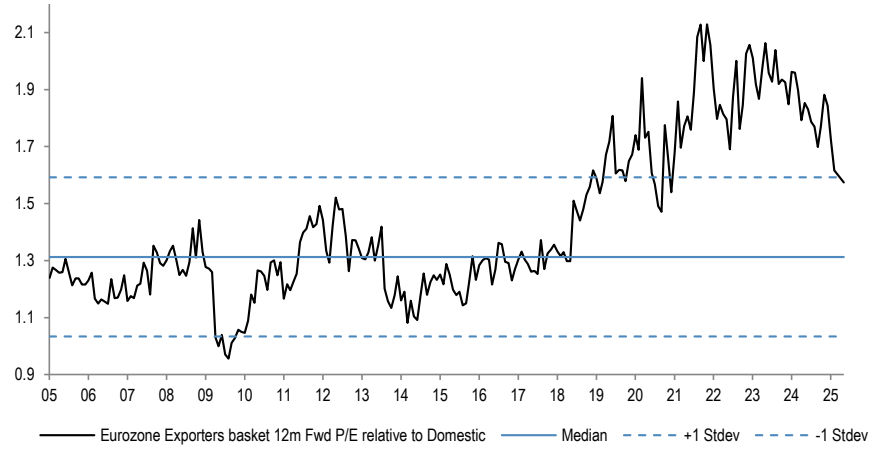
Name	Ticker	Sector
UniCredit SpA	UCG IM	Financials
Deutsche Boerse AG	DB1 GY	Financials
Deutsche Bank AG	DBK GY	Financials
Commerzbank AG	CBK GY	Financials
Euronext NV	ENX FP	Financials
Amundi SA	AMUN FP	Financials
FinecoBank Banca Fineco SpA	FBK IM	Financials
DWS Group GmbH & Co KGaA	DWS GY	Financials
Siemens AG	SIE GY	Industrials
Rheinmetall AG	RHM GY	Industrials
Vinci SA	DG FP	Industrials
Siemens Energy AG	ENR GY	Industrials
DSV A/S	DSV DC	Industrials
Deutsche Post AG	DHL GY	Industrials
Daimler Truck Holding AG	DTG GY	Industrials
Kuehne + Nagel International AG	KNIN SE	Industrials
Geberit AG	GEBN SE	Industrials
Epiroc AB	EPIA SS	Industrials
Traton SE	8TRA GY	Industrials
Knorr-Bremse AG	KBX GY	Industrials
Vestas Wind Systems A/S	VWS DC	Industrials
HOCHTIEF AG	HOT GY	Industrials
Eiffage SA	FGR FP	Industrials
Hensoldt AG	HAG GY	Industrials
Metso Oyj	METSO FH	Industrials
Alstom SA	ALO FP	Industrials
Deutsche Lufthansa AG	LHA GY	Industrials
SPIE SA	SPIE FP	Industrials
RENK Group AG	RENK AV	Industrials
IMI PLC	IMI LN	Industrials
Frankfurt Airport Services Worldwide	FRA GY	Industrials
KION Group AG	KGX GY	Industrials
ROCKWOOL A/S	ROCKB DC	Industrials
Nexans SA	NEX FP	Industrials
Fluidra SA	FDR SQ	Industrials
NKT A/S	NKT DC	Industrials
Signify NV	LIGHT NA	Industrials
Stadler Rail AG	SRAIL SE	Industrials
Bodycote PLC	BOY LN	Industrials
Stabilus SE	STM GY	Industrials
Heidelberg Materials AG	HEI GY	Materials
Evonik Industries AG	EVK GY	Materials
Buzzi SpA	BZU IM	Materials
Syensqo SA	SYENS BB	Materials
Wienerberger AG	WIE AV	Materials
Wacker Chemie AG	WCH GY	Materials
LANXESS AG	LXS GY	Materials
Breedon Group PLC	BREE LN	Materials
Salzgitter AG	SZG GY	Materials
Victrex PLC	VCT LN	Materials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

13) FX exposure: a) for Eurozone… valuations of the Exporters appear increasingly stretched

- Exporters continue to screen expensive on most valuation measures when compared to our Eurozone domestic basket.
- Our basket of Eurozone Exporters comprises of stocks with the highest international revenue exposure.

Eurozone Exporters 12m fwd. P/E relative to Domestics



Source: IBES, J.P.Morgan

JPM Eurozone Exporters - JPDEEZEX

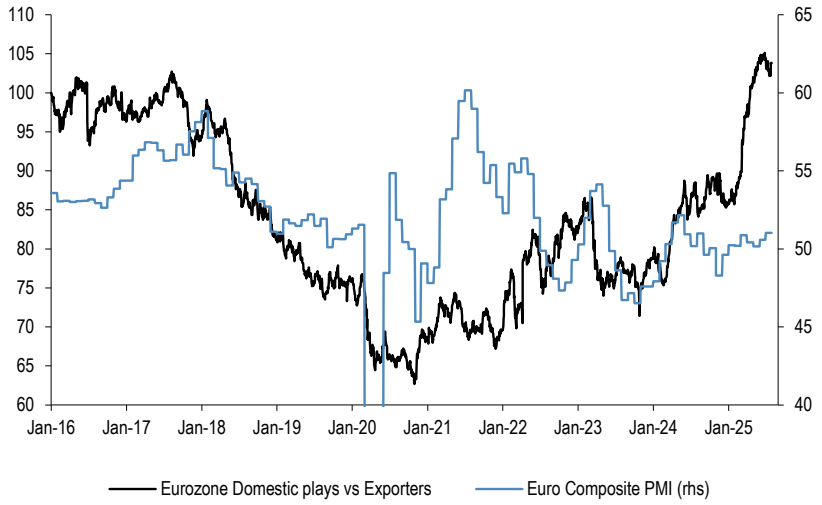
Name	Ticker	Sector	Ex-W.E. exposure
Aegon Ltd	AGN NA	Financials	87%
Fresenius Medical Care AG	FME GR	Health care	85%
HelloFresh SE	HFG GR	Staples	84%
Hannover Rueck SE	HNR1 GR	Financials	82%
Sampo Oyj	SAMPO FH	Financials	81%
Pernod Ricard SA	RI FP	Staples	80%
L'Oreal SA	OR FP	Staples	79%
Publicis Groupe SA	PUB FP	Comm. Srvcs	77%
Syensqo SA	SYENS BB	Materials	77%
Hermes International SCA	RMS FP	Discretionary	77%
LVMH Moet Hennessy Louis Vuitt	MC FP	Discretionary	76%
Wolters Kluwer NV	WKL NA	Industrials	76%
Sanofi SA	SAN FP	Health care	76%
UCB SA	UCB BB	Health care	72%
Kering SA	KER FP	Discretionary	72%
adidas AG	ADS GR	Discretionary	71%
Merck KGaA	MRK GR	Health care	71%
MTU Aero Engines AG	MTX GR	Industrials	70%
Bayer AG	BAYN GR	Health care	70%
Airbus SE	AIR FP	Industrials	68%
Arkema SA	AKE FP	Materials	67%
Solvay SA	SOLB BB	Materials	67%
SCOR SE	SCR FP	Financials	66%
Moncler SpA	MONC IM	Discretionary	65%
Puma SE	PUM GR	Discretionary	65%
Koninklijke Ahold Delhaize NV	AD NA	Staples	65%
Dassault Systemes SE	DSY FP	IT	65%
EssilorLuxottica SA	EL FP	Health care	64%
Brenntag SE	BNR GY	Industrials	63%
Air Liquide SA	AI FP	Materials	63%
Accor SA	AC FP	Discretionary	61%
Heidelberg Materials AG	HEI GR	Materials	61%
Sodexo SA	SW FP	Discretionary	60%
Davide Campari-Milano NV	CPR IM	Staples	60%
Fluidra SA	FDR SM	Industrials	60%
SAP SE	SAP GR	IT	60%
Iberdrola SA	IBE SM	Utilities	60%
Safran SA	SAF FP	Industrials	59%
Bayerische Motoren Werke AG	BMW GR	Discretionary	59%
Muenchener Rueckversicherungs-	MUV2 GR	Financials	56%
GEA Group AG	G1A GR	Industrials	55%
Acerinox SA	ACX SM	Materials	52%
Edenred SE	EDEN FP	Financials	40%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

b) Eurozone domestic exposure

- Domestic plays are linked to Eurozone composite PMIs.

Eurozone Domestic vs Exporters vs Euro Composite PMI



Source: Bloomberg Finance L.P., J.P. Morgan, S&P Global

JPM Eurozone Domestics - JPDEEZDR

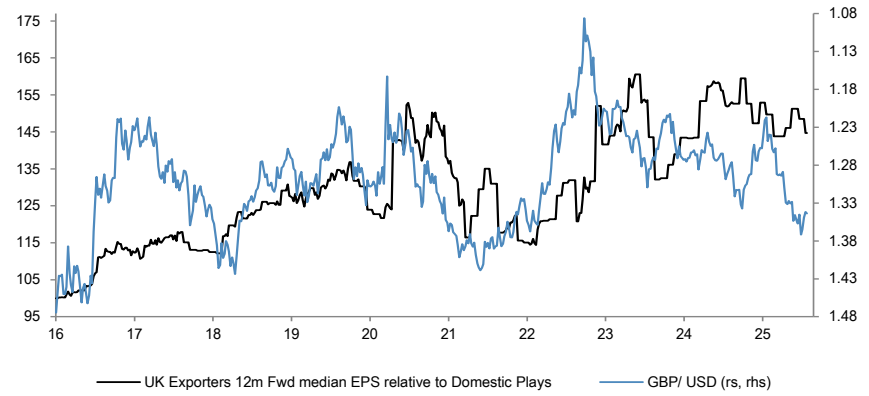
Name	Ticker	Sector	W.E. exposure
Koninklijke KPN NV	KPN NA	Comm. Srvcs	100%
Zalando SE	ZAL GR	Discretionary	100%
ASR Nederland NV	ASRNL NA	Financials	100%
Poste Italiane SpA	PST IM	Financials	100%
CaixaBank SA	CABK SM	Financials	100%
Bankinter SA	BKT SM	Financials	100%
Nexi SpA	NEXI IM	Financials	100%
Gecina SA	GFC FP	Real Estate	100%
Intesa Sanpaolo SpA	ISP IM	Financials	95%
Eiffage SA	FGR FP	Industrials	95%
NN Group NV	NN NA	Financials	92%
Worldline SA/France	WLN FP	Financials	90%
AIB Group PLC	AIBG ID	Financials	90%
UniCredit SpA	UCG IM	Financials	85%
Vinci SA	DG FP	Industrials	82%
Generali	G IM	Financials	81%
Commerzbank AG	CBK GR	Financials	75%
Rheinmetall AG	RHM GR	Industrials	75%
Carrefour SA	CA FP	Staples	74%
Renault SA	RNO FP	Discretionary	69%
AXA SA	CS FP	Financials	69%
Cie de Saint-Gobain SA	SGO FP	Industrials	66%
Industria de Diseno Textil SA	ITX SM	Discretionary	63%
Ageas SA/NV	AGS BB	Financials	61%
Alstom SA	ALO FP	Industrials	60%
Capgemini SE	CAP FP	IT	60%
K+S AG	SDF GY	Materials	59%
Ipsen SA	IPN FP	Health care	52%
Umicore SA	UMI BB	Materials	51%
Deutsche Bank AG	DBK GR	Financials	50%
Rexel SA	RXL FP	Industrials	50%
Prysmian SpA	PRY IM	Industrials	50%
ArcelorMittal SA	MT NA	Materials	48%
Evonik Industries AG	EVK GR	Materials	46%
Allianz SE	ALV GR	Financials	44%
Akzo Nobel NV	AKZA NA	Materials	41%
Banco Santander SA	SAN SM	Financials	35%
Signify NV	LIGHT NA	Industrials	30%
Nordea Bank Abp	NDA SS	Financials	20%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

c) UK Exporters

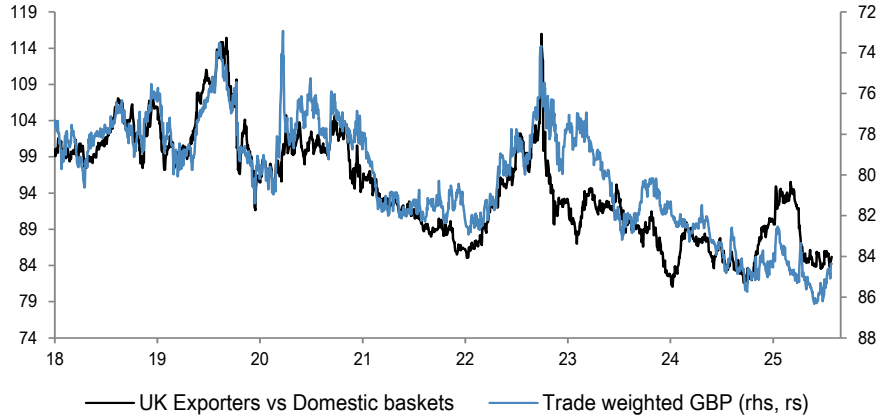
- UK exporters display a clear negative correlation with FX.

UK Exporters vs Domestic earnings and GBP



Source: Datastream, J.P. Morgan

UK Exporters vs Domestic baskets vs trade-weighted GBP



Source: Bloomberg Finance L.P., J.P. Morgan

JPM UK Exporters - JPDEUKEX

Name	Ticker	Sector	ex-UK exposure
Prudential PLC	PRU LN	Financials	100%
British American Tobacco PLC	BATS LN	Staples	99%
RELX PLC	REL LN	Industrials	96%
Diageo PLC	DGE LN	Staples	95%
Unilever PLC	ULVR LN	Staples	95%
Reckitt Benckiser Group PLC	RKT LN	Staples	95%
Beazley PLC	BEZ LN	Financials	95%
AstraZeneca PLC	AZN LN	Health care	95%
GSK PLC	GSK LN	Health care	95%
Spirax Group PLC	SPX LN	Industrials	95%
Standard Chartered PLC	STAN LN	Financials	94%
ConvaTec Group PLC	CTEC LN	Health care	93%
Burberry Group PLC	BRBY LN	Discretionary	92%
Imperial Brands PLC	IMB LN	Staples	92%
Smith & Nephew PLC	SN/ LN	Health care	92%
Rolls-Royce Holdings PLC	RR/ LN	Industrials	90%
Johnson Matthey PLC	JMAT LN	Materials	90%
Croda International PLC	CRDA LN	Materials	90%
Pearson PLC	PSON LN	Discretionary	89%
WPP PLC	WPP LN	Comm. Srvcs	87%
Halma PLC	HLMA LN	IT	84%
Hiscox Ltd	HSX LN	Financials	80%
Sage Group PLC/The	SGE LN	IT	80%
JD Sports Fashion PLC	JD/ LN	Discretionary	72%
HSBC Holdings PLC	HSBA LN	Financials	67%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

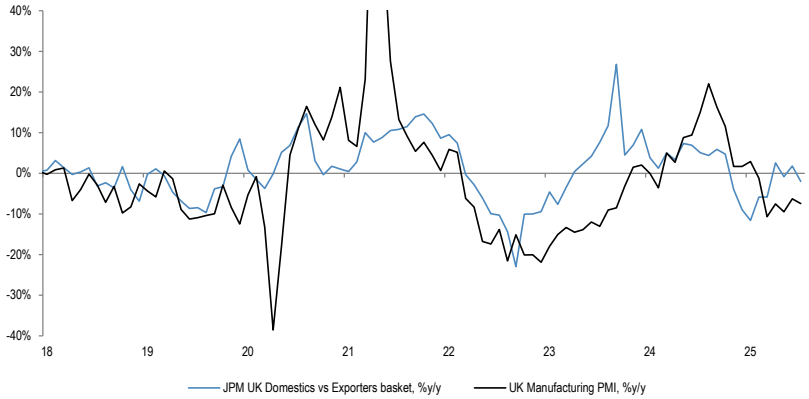
d) UK domestic plays

- UK Domestics should perform better going forward as investors gain confidence in the UK economy.

UK Domestic basket relative to Exporters

Source: Bloomberg Finance L.P., J.P. Morgan

UK Domestic vs exporters basket and UK PMI



Source: Bloomberg Finance L.P., J.P. Morgan

JPM UK Domestics - JPDEUKDM

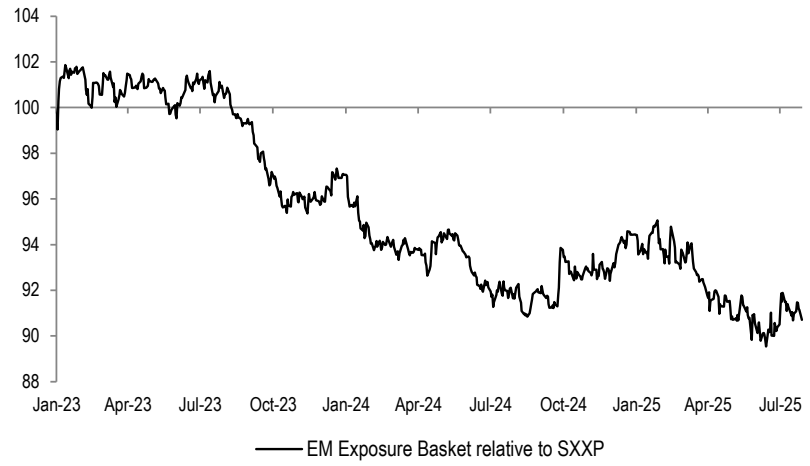
Name	Ticker	GICS Sector	UK exposure
Rightmove PLC	RMV LN	Comm. Srvcs	100%
Auto Trader Group PLC	AUTO LN	Comm. Srvcs	100%
Berkeley Group Holdings PLC	BKG LN	Discretionary	100%
Persimmon PLC	PSN LN	Discretionary	100%
J Sainsbury PLC	SBRY LN	Staples	100%
JET2 PLC	JET2 LN	Industrials	100%
British Land Co PLC/The	BLND LN	Real Estate	100%
Land Securities Group PLC	LAND LN	Real Estate	100%
Taylor Wimpey PLC	TW/ LN	Discretionary	97%
BT Group PLC	BT/A LN	Comm. Srvcs	95%
Tesco PLC	TSCO LN	Staples	95%
Legal & General Group PLC	LGEN LN	Financials	95%
NatWest Group PLC	NWG LN	Financials	95%
Lloyds Banking Group PLC	LLOY LN	Financials	95%
Whitbread PLC	WTB LN	Discretionary	93%
Marks & Spencer Group PLC	MKS LN	Staples	91%
Phoenix Group Holdings PLC	PHNX LN	Financials	90%
Centrica PLC	CNA LN	Utilities	90%
B&M European Value Retail SA	BME LN	Discretionary	90%
M&G PLC	MNG LN	Financials	87%
Admiral Group PLC	ADM LN	Financials	85%
Next PLC	NXT LN	Discretionary	84%
Ocado Group PLC	OCDO LN	Staples	80%
easyJet PLC	EZJ LN	Industrials	55%
Barclays PLC	BARC LN	Financials	51%
Entain PLC	ENT LN	Discretionary	45%
Flutter Entertainment PLC	FLTR LN	Discretionary	26%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

14) EM exposure

- Our EM exposure basket comprises of stocks with the highest exposure to the region, and most geared to EM growth.

EM exposure basket price relative



Source: Bloomberg Finance L.P.

JPM EM exposure - JPDEEMEX

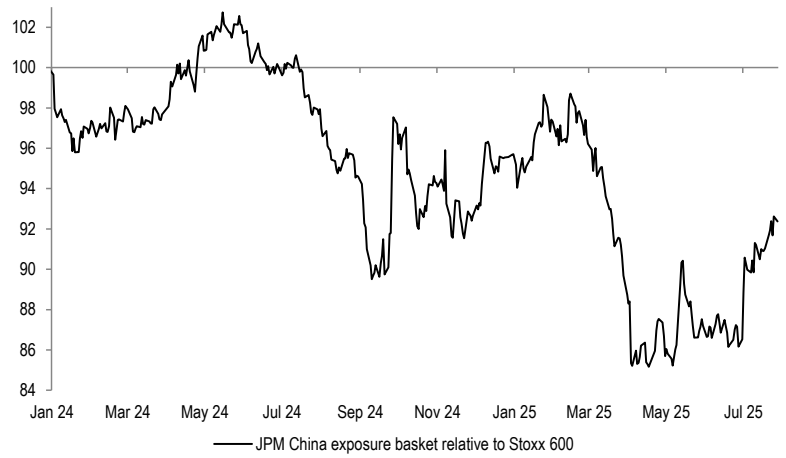
Name	Ticker	Sector	EM exposure
Prudential PLC	PRU LN	Financials	100%
Jeronimo Martins SGPS SA	JMT PL	Staples	80%
Anglo American PLC	AAL LN	Materials	70%
Coca-Cola HBC AG	CCH LN	Staples	65%
Anheuser-Busch InBev SA/NV	ABI BB	Staples	62%
Pernod Ricard SA	RI FP	Staples	60%
Unilever PLC	ULVR LN	Staples	58%
Swatch Group AG/The	UHR SW	Discretionary	58%
Wartsila OYJ Abp	WRT1V FH	Industrials	56%
MTU Aero Engines AG	MTX GR	Industrials	55%
Yara International ASA	YAR NO	Materials	53%
Heineken NV	HEIA NA	Staples	50%
Antofagasta PLC	ANTO LN	Materials	50%
Clariant AG	CLN SW	Materials	50%
Hermes International SCA	RMS FP	Discretionary	49%
Solvay SA	SOLB BB	Materials	48%
Epiroc AB	EPIA SS	Industrials	46%
Akzo Nobel NV	AKZA NA	Materials	46%
Accor SA	AC FP	Discretionary	45%
Airbus SE	AIR FP	Industrials	45%
LVMH Moet Hennessy Louis Vuitt	MC FP	Discretionary	44%
Telefonaktiebolaget LM Ericsso	ERICB SS	IT	44%
Syensqo SA	SYENS BB	Materials	44%
Wacker Chemie AG	WCH GY	Materials	43%
Engie SA	ENGI FP	Utilities	43%
Nokia Oyj	NOKIA FH	IT	43%
Cie Financiere Richemont SA	CFR SW	Discretionary	42%
Kering SA	KER FP	Discretionary	42%
Givaudan SA	GIVN SW	Materials	42%
DSM-Firmenich AG	DSFIR NA	Materials	41%
Puma SE	PUM GR	Discretionary	40%
Burberry Group PLC	BRBY LN	Discretionary	40%
Banco Santander SA	SAN SM	Financials	40%
Spirax Group PLC	SPX LN	Industrials	40%
Dassault Aviation SA	AM FP	Industrials	40%
adidas AG	ADS GR	Discretionary	39%
Ageas SA/NV	AGS BB	Financials	39%
Moncler SpA	MONC IM	Discretionary	37%
KBC Group NV	KBC BB	Financials	36%
Heidelberg Materials AG	HEI GR	Materials	35%
Signify NV	LIGHT NA	Industrials	31%
Sanofi SA	SAN FP	Health care	30%
Vodafone Group PLC	VOD LN	Comm. Srvcs	30%
Pandora A/S	PNDORA DC	Discretionary	30%
Edenred SE	EDEN FP	Financials	28%
AstraZeneca PLC	AZN LN	Health care	27%
Carrefour SA	CA FP	Staples	26%
Telenor ASA	TEL NO	Comm. Srvcs	25%
Telefonica SA	TEF SM	Comm. Srvcs	25%
Sodexo SA	SW FP	Discretionary	25%
InterContinental Hotels Group	IHG LN	Discretionary	25%
Halma PLC	HLMA LN	IT	24%
Sika AG	SIKA SW	Materials	22%
Orange SA	ORA FP	Comm. Srvcs	20%
Allianz SE	ALV GR	Financials	16%
Zurich Insurance Group AG	ZURN SW	Financials	14%
Holcim AG	HOLN SW	Materials	14%
Swiss Re AG	SREN SW	Financials	11%

Source: Bloomberg Finance L.P., J.P. Morgan, all the stocks are liquidity weighed in the basket

15) China exposure

- Our China exposure basket comprises of stocks with the highest China revenue exposure relative to peers.

China exposure basket price relative



Source: Bloomberg Finance L.P.

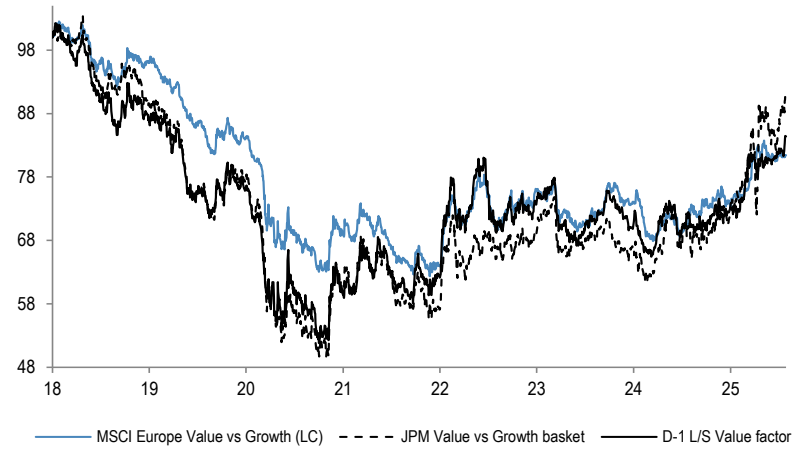
JPM China exposure - JPEUCHNA

Name	Ticker	Sector
Swatch Group AG/The	UHR SE	Discretionary
Hermes International SCA	RMS FP	Discretionary
Moncler SpA	MONC IM	Discretionary
LVMH Moet Hennessy Louis Vuitton SE	MC FP	Discretionary
Kering SA	KER FP	Discretionary
Dr Ing hc F Porsche AG	P911 GY	Discretionary
Burberry Group PLC	BRBY LN	Discretionary
Cie Financiere Richemont SA	CFR SE	Discretionary
Mercedes-Benz Group AG	MBG GY	Discretionary
Volkswagen AG	VOW3 GY	Discretionary
adidas AG	ADS GY	Discretionary
Bayerische Motoren Werke AG	BMW GY	Discretionary
Forvia SE	FRVIA FP	Discretionary
Volvo Car AB	VOLCARB SS	Discretionary
Brembo NV	BRE IM	Discretionary
Salvatore Ferragamo SpA	SFER IM	Discretionary
Schaeffler AG	SHA0 GY	Discretionary
Gestamp Automocion SA	GEST SQ	Discretionary
HSBC Holdings PLC	HSBA LN	Financials
Prudential PLC	PRU LN	Financials
Standard Chartered PLC	STAN LN	Financials
Merck KGaA	MRK GY	Health Care
Kone Oyj	KNEBV FH	Industrials
SKF AB	SKFB SS	Industrials
Atlas Copco AB	ATCOA SS	Industrials
VAT Group AG	VACN SE	Industrials
Siemens AG	SIE GY	Industrials
Intertek Group PLC	ITRK LN	Industrials
Schindler Holding AG	SCHP SE	Industrials
Knorr-Bremse AG	KBX GY	Industrials
Georg Fischer AG	GF SE	Industrials
Rotork PLC	ROR LN	Industrials
Duerr AG	DUE GY	Industrials
Burckhardt Compression Holding AG	BCHN SE	Industrials
Stabilus SE	STM GY	Industrials
Infineon Technologies AG	IFX GY	IT
AIXTRON SE	AIXA GY	IT
Hexagon AB	HEXAB SS	IT
Nova Ltd	NVMI IT	IT
SEB SA	SK FP	IT
ams-OSRAM AG	AMS SE	IT
Siltronic AG	WAF GY	IT
u-blox Holding AG	UBXN SE	IT
LEM Holding SA	LEHN SE	IT
Anglo American PLC	AAL LN	Materials
Rio Tinto PLC	RIO LN	Materials
Glencore PLC	GLEN LN	Materials
BASF SE	BAS GY	Materials
Antofagasta PLC	ANTO LN	Materials
UPM-Kymmene Oyj	UPM FH	Materials
EMS-Chemie Holding AG	EMSN SE	Materials
Eramet SA	ERA FP	Materials
Remy Cointreau SA	RCO FP	Staples

Source: Bloomberg Finance L.P., J.P. Morgan, all the stocks are liquidity weighed in the basket

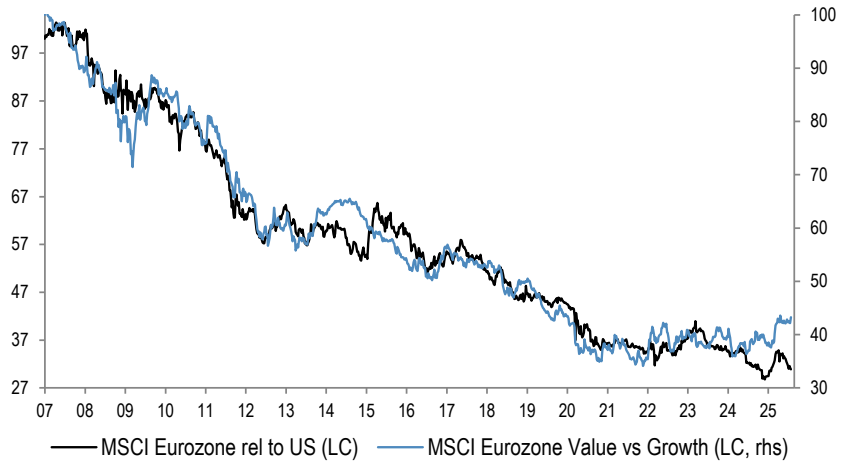
16) Value vs Growth: Style leadership is closely linked to the direction of bond yields…

Value style performance vs Growth



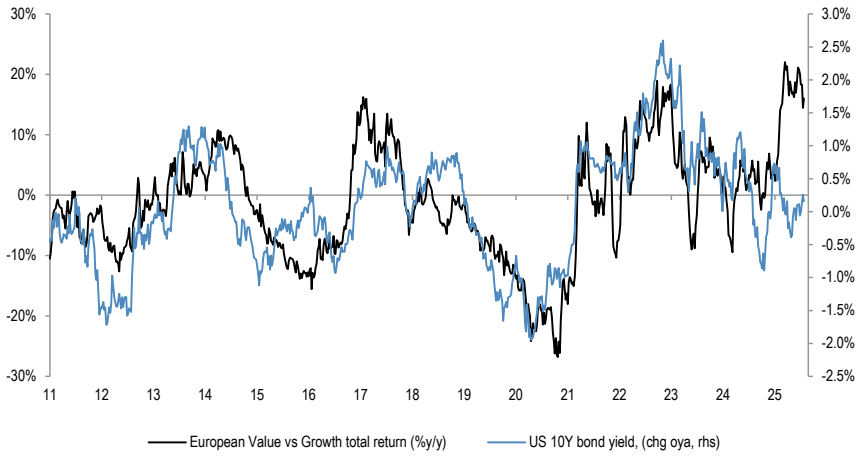
Source: Bloomberg Finance L.P., J.P. Morgan

Eurozone vs US and Value vs Growth



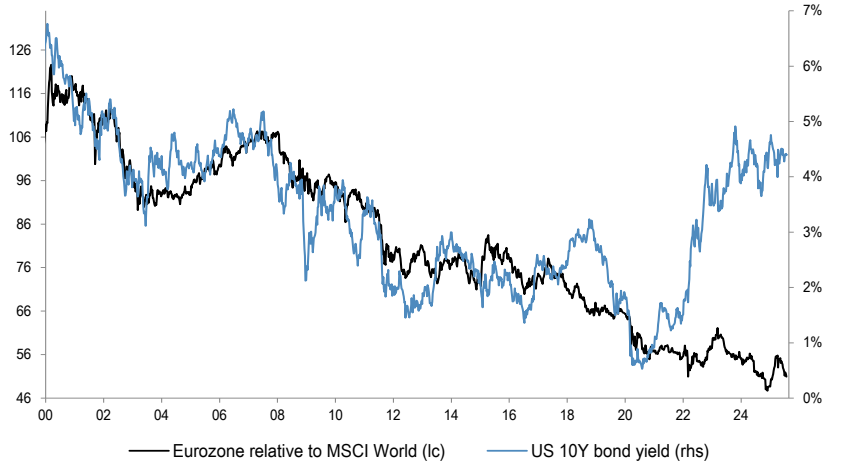
Source: Datastream

MSCI Europe Value vs Growth and US bond yields



Source: Datastream

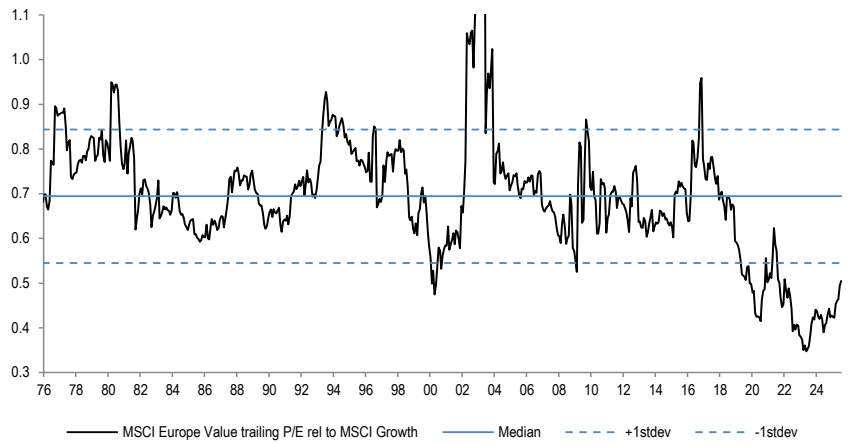
Eurozone relative to World and US 10Y bond yield



Source: Datastream

...Value valuations remain attractive

European Value vs Growth trailing P/E



Source: Datastream

European Value vs Growth P/Book and US 10Y bond yields

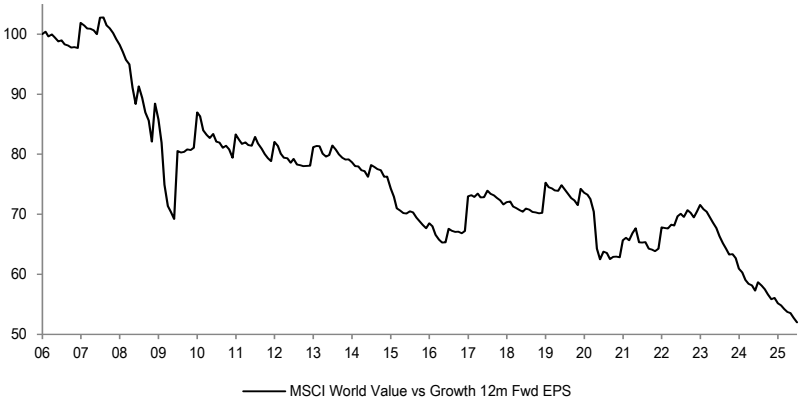
Source: Datastream

MSCI Europe - Value and Growth sectoral composition

	Sector Weights			
	MSCI Europe	Value	Growth	Value vs Growth
Financials	21.1%	34.2%	8.0%	26.2%
Energy	4.7%	9.2%	0.1%	9.0%
Utilities	3.8%	6.9%	0.8%	6.1%
Com. Services	4.0%	5.3%	2.7%	2.6%
Real Estate	0.8%	1.6%	0.0%	1.6%
Materials	5.8%	6.8%	4.8%	2.0%
Industrials	17.5%	9.6%	25.3%	-15.7%
Staples	9.7%	11.0%	8.5%	2.5%
Discretionary	9.8%	5.0%	14.6%	-9.5%
IT	7.9%	0.9%	14.9%	-14.0%
Healthcare	15.4%	10.4%	20.3%	-9.9%

Source: Datastream

MSCI World Value vs Growth EPS momentum



Source: Datastream

a) European Value and Growth baskets

JPM European Value - JPDEVALU

Name	Ticker	Sector	Price/ Book
COCA-COLA HBC	CCH LN	Staples	0.1
VOLKSWAGEN PREF. (XET)	VOW GR	Discretionary	0.3
VODAFONE GROUP	VOD LN	Comm. Srvcs	0.3
PORSCHE AML.HLDG. (XET) PREF.	PAH3 GR	Discretionary	0.3
STELLANTIS	STLA US	Discretionary	0.4
RENAULT	RNO FP	Discretionary	0.4
ARCELORMITTAL	MT NA	Materials	0.4
SMITH & NEPHEW	SN/ LN	Health care	0.5
A P MOLLER MAERSK B	MAERSKB DC	Industrials	0.5
STANDARD CHARTERED	STAN LN	Financials	0.5
REPSOL YPF	REP SM	Energy	0.6
EURAZEO	RF FP	Financials	0.6
NN GROUP	NN NA	Financials	0.6
GBL NEW	GBLB BB	Financials	0.6
SOCIETE GENERALE	GLE FP	Financials	0.6
MELROSE INDUSTRIES	MRO LN	Industrials	0.6
STORA ENSO R	STERV FH	Materials	0.7
LAND SECURITIES GROUP	LAND LN	Real Estate	0.7
CREDIT AGRICOLE	ACA FP	Financials	0.7
DEUTSCHE BANK (XET)	DBK GR	Financials	0.7
DEUTSCHE LUFTHANSA (XET)	LHA GR	Industrials	0.7
BNP PARIBAS	BNP FP	Financials	0.7
CARREFOUR	CA FP	Staples	0.8
ALSTOM	ALO FP	Industrials	0.8
RWE (XET)	RWE GR	Utilities	0.8
BAYER (XET)	BAYN GR	Health care	0.9
ENI	ENI IM	Energy	0.9
SAINSBURY J	SBRY LN	Staples	1.0
FRESENIUS MED.CARE (XET)	FME GR	Health care	1.1
NOKIA	NOKIA FH	IT	1.2
GRIFOLS ORD CL A	GRF SM	Health care	1.2
TELEPERFORMANCE	TEP FP	Industrials	1.2
HENKEL (XET)	HEN3 GR	Staples	1.2
NATIONAL GRID	NG/ LN	Utilities	1.3
FRESENIUS (XET)	FRE GR	Health care	1.3
STMICROELECTRONICS	STMPA FP	IT	1.3
REXEL	RXL FP	Industrials	1.3
DAIMLER TRUCK (XET) HOLDING E	DTG GR	Industrials	1.4
SANOFI	SAN FP	Health care	1.4
HEXAGON B	HEXAB SS	IT	1.9

Source: Datastream, J.P. Morgan, all stocks are equally weighted in the baskets

JPM European Growth - JPDEGROW

Name	Ticker	Sector	Price/ Book
MARKS & SPENCER GROUP	MKS LN	Staples	65.4
UNILEVER (UK)	ULVR LN	Staples	32.4
FERRARI (MIL)	RACE IM	Discretionary	27.5
SPOTIFY TECHNOLOGY	SPOT US	Comm. Srvcs	25.3
WOLTERS KLUWER	WKL NA	Industrials	22.2
RELX	REL LN	Industrials	20.8
SGS 'N'	SGSN SW	Industrials	20.1
BE SEMICONDUCTOR INDUSTRIES	BESI NA	IT	19.9
RHEINMETALL (XET)	RHM GR	Industrials	19.3
KONGSBERG GRUPPEN	KOG NO	Industrials	18.1
PANDORA	PNDORA DC	Discretionary	16.4
GEBERIT 'R'	GEBN SW	Industrials	16.1
NOVO NORDISK 'B'	NOVOB DC	Health care	16.0
NEMETSCHEK (XET)	NEM GR	IT	15.8
ASML HOLDING	ASML NA	IT	14.2
HERMES INTL.	RMS FP	Discretionary	13.9
VAT GROUP	VACN SW	Industrials	13.3
ADYEN	ADYEN NA	Financials	12.3
PARTNERS GROUP HOLDING	PGHN SW	Financials	10.9
NEXT	NXT LN	Discretionary	9.7
ORION B	ORNBV FH	Health care	8.9
GIVAUDAN 'N'	GIVN SW	Materials	8.3
COLOPLAST B	COLOB DC	Health care	8.0
EMS-CHEMIE 'N'	EMSN SW	Materials	7.6
ROCHE HOLDINGS 'B'	ROG SW	Health care	7.2
CHOCOLADEFABRIKEN LINDT & SPRUENGLI	LISN SW	Staples	7.2
ADMIRAL GROUP	ADM LN	Financials	6.9
RECORDATI INDUA.CHIMICA	REC IM	Health care	6.6
SCHRODERS	SDR LN	Financials	6.5
DEMANT	DEMANT DC	Health care	6.3
NESTLE 'N'	NESN SW	Staples	6.0
PHOENIX GROUP HDG.	PHNX LN	Financials	5.4
GJENSIDIGE FORSIKRING	GJF NO	Financials	5.2
LEGAL & GENERAL	LGEN LN	Financials	5.1
FINECOBANK SPA	FBK IM	Financials	4.9
SEVERN TRENT	SVT LN	Utilities	4.6
UNITED UTILITIES GROUP	UU/ LN	Utilities	3.9
EQUINOR	EQNR NO	Energy	1.6
SWISS PRIME SITE	SPSN SW	Real Estate	1.4
TOTALENERGIES	TTE FP	Energy	1.1

b) Beneficiaries vs Losers of rising oil prices

JPM Rising oil prices beneficiaries - JPDEOILW

Name	Ticker	Sector	Correlation to Oil
ARCELORMITTAL	MT NA	Materials	61%
REPSOL YPF	REP SM	Energy	58%
TENARIS	TEN IM	Energy	58%
ANGLO AMERICAN	AAL LN	Materials	51%
PORSCHE AML.HLDG. (XET) PREF.	PAH3 GR	Discretionary	49%
SHELL	SHEL LN	Energy	48%
EQUINOR	EQNR NO	Energy	48%
ENI	ENI IM	Energy	48%
REXEL	RXL FP	Industrials	47%
OMV	OMV AV	Energy	44%
METSO CORPORATION	METSO FH	Industrials	43%
AEGON	AGN NA	Financials	42%
A P MOLLER MAERSK A	MAERSKB DC	Industrials	40%
STANDARD CHARTERED	STAN LN	Financials	37%
RIO TINTO	RIO LN	Materials	37%
AVIVA	AV/ LN	Financials	37%
TOTALENERGIES	TTE FP	Energy	37%
NORSK HYDRO	NHY NO	Materials	36%
BP	BP/ LN	Energy	35%
VOLKSWAGEN PREF. (XET)	VOW GR	Discretionary	35%
SAINT GOBAIN	SGO FP	Industrials	35%
MERCEDES-BENZ GROUP(XET) N	MBG GR	Discretionary	34%
ASR NEDERLAND	ASRNL NA	Financials	33%
AIRBUS	AIR FP	Industrials	32%
THE SWATCH GROUP	UHR SW	Discretionary	32%
BANCO SANTANDER	SAN SM	Financials	32%
RICHEMONT N	CFR SW	Discretionary	31%
ANTOFAGASTA	ANTO LN	Materials	31%
BASF (XET)	BAS GR	Materials	31%
BANK OF IRELAND GROUP	BIRG ID	Financials	31%
AIB GROUP	AIBG ID	Financials	30%
BNP PARIBAS	BNP FP	Financials	30%
STORA ENSO R	STERV FH	Materials	29%
ARKEMA	AKE FP	Materials	29%
DASSAULT AVIATION	AM FP	Industrials	28%
ING GROEP	INGA NA	Financials	28%
CAIXABANK	CABK SM	Financials	27%
DNB BANK	DNB NO	Financials	26%
BOLIDEN ORD SHS	BOL SS	Materials	26%
NATWEST GROUP	NWG LN	Financials	26%

Source: Datastream, J.P. Morgan, all stocks are liquidity weighted in the baskets

JPM Rising oil prices losers - JPDEOILL

Name	Ticker	Sector	Correlation to Oil
ESSITY B	ESSITYB SS	Staples	-60%
PROSUS N	PRX NA	Discretionary	-54%
HANNOVER RUECK (XET)	HNR1 GR	Financials	-49%
BIOMERIEUX	BIM FP	Health care	-44%
COLOPLAST B	COLOB DC	Health care	-43%
ORKLA	ORK NO	Staples	-42%
KONINKLIJKE AHOLD DELHAIZE	AD NA	Staples	-42%
EURONEXT	ENX FP	Financials	-42%
FERROVIAL	FER SM	Industrials	-40%
LUNDBERGFORETAGEN B	LUNDB SS	Financials	-39%
SYMRISE (XET)	SY1 GR	Materials	-38%
RECKITT BENCKISER GROUP	RKT LN	Staples	-38%
MUNCH. (XET)			
RVRS.GESELL.MUNCH.N	MUV2 GR	Financials	-38%
ZEALAND PHARMA	ZEAL DC	Health care	-37%
UNITED UTILITIES GROUP	UU/ LN	Utilities	-37%
CELLNEX TELECOM	CLNX SM	Comm. Srvcs	-37%
KERRY GROUP 'A'	KYGA ID	Staples	-37%
ROCHE HOLDING	ROG SW	Health care	-37%
GIVAUDAN 'N'	GIVN SW	Materials	-36%
GENMAB	GMAB DC	Health care	-36%
INFRASTRUTTURE WIRELESS=	INW IM	Comm. Srvcs	-36%
CHOC.LINDT &SPRUENGLI PAR	LISN SW	Staples	-36%
RECORDATI INDUA.CHIMICA	REC IM	Health care	-35%
LONDON STOCK EXCHANGE	LSEG LN	Financials	-35%
SMITH & NEPHEW	SN/ LN	Health care	-35%
DELIVERY HERO (XET)	DHER GR	Discretionary	-35%
RELX	REL LN	Industrials	-35%
SAP (XET)	SAP GR	IT	-35%
SCOUT24 (XET)	G24 GR	Comm. Srvcs	-34%
THE SAGE GROUP	SGE LN	IT	-34%
IBERDROLA	IBE SM	Utilities	-34%
HALMA	HLMA LN	IT	-34%
SEVERN TRENT	SVT LN	Utilities	-34%
AUTO TRADER GROUP	AUTO LN	Comm. Srvcs	-33%
BC VAUD N	BCVN SW	Financials	-33%
DIASORIN	DIA IM	Health care	-33%
UNILEVER (UK)	ULVR LN	Staples	-33%
INDITEX	ITX SM	Discretionary	-33%
HENKEL PREF. (XET)	HEN3 GR	Staples	-32%
QIAGEN (XET)	QIA GR	Health care	-32%

c) Beneficiaries vs Losers of rising inflation

JPM Rising inflation beneficiaries - JPDEINFW

			Correlation to				
Name	Ticker	Sector	Yield Curve	US Inflation forwards	EUR Inflation Forwards	S&P GSCI	Average correlation
ARCELORMITTAL	MT NA	Materials	16%	18%	21%	37%	23%
TENARIS	TEN IM	Materials	8%	16%	20%	41%	21%
AEGON	AGN NA	Materials	14%	27%	23%	15%	20%
ING GROEP	INGA NA	Materials	15%	21%	22%	17%	19%
SOCIETE GENERALE	GLE FP	Materials	19%	21%	23%	11%	19%
BNP PARIBAS	BNP FP	Materials	20%	23%	19%	11%	18%
KBC GROUP	KBC BB	Materials	15%	27%	14%	16%	18%
ANGLO AMERICAN	AAL LN	Materials	11%	12%	11%	37%	18%
ABN AMRO BANK	ABN NA	Materials	16%	22%	20%	11%	17%
ENI	ENI IM	Materials	12%	7%	12%	37%	17%
METSO CORPORATION	METSO FH	Materials	10%	19%	18%	20%	17%
NORSK HYDRO	NHY NO	Materials	8%	10%	16%	32%	16%
CREDIT AGRICOLE	ACA FP	Materials	19%	22%	16%	8%	16%
REPSOL YPF	REP SM	Materials	9%	3%	16%	36%	16%
DEUTSCHE BANK (XET)	DBK GR	Materials	13%	22%	16%	14%	16%
ANTOFAGASTA	ANTO LN	Materials	14%	8%	9%	33%	16%
AXA	CS FP	Materials	12%	17%	17%	16%	16%
BANCO SANTANDER	SAN SM	Materials	14%	20%	15%	13%	15%
TOTALENERGIES	TTE FP	Materials	5%	9%	13%	35%	15%
DNB BANK	DNB NO	Materials	11%	18%	9%	22%	15%
NATWEST GROUP	NWG LN	Materials	9%	26%	15%	8%	14%
EURAZEO	RF FP	Materials	15%	12%	14%	16%	14%
BARCLAYS	BARC LN	Materials	11%	23%	14%	8%	14%
BOLIDEN ORD SHS	BOL SS	Materials	7%	6%	13%	30%	14%
ERSTE GROUP BANK	EBS AV	Materials	9%	19%	11%	17%	14%
SAINT GOBAIN	SGO FP	Materials	9%	12%	17%	16%	14%
LEGAL & GENERAL	LGEN LN	Materials	8%	21%	14%	11%	14%
AVIVA	AV/ LN	Materials	12%	20%	7%	15%	13%
OMV	OMV AV	Materials	7%	10%	7%	30%	13%
UNICREDIT	UCG IM	Materials	15%	15%	14%	9%	13%
ALLIANZ (XET)	ALV GR	Materials	4%	20%	18%	11%	13%
SANDVIK	SAND SS	Materials	12%	14%	9%	17%	13%
ARKEMA	AKE FP	Materials	11%	12%	15%	15%	13%
BASF (XET)	BAS GR	Materials	14%	10%	9%	19%	13%
JULIUS BAER GRUPPE	BAER SW	Materials	10%	16%	15%	10%	13%
RIO TINTO	RIO LN	Materials	17%	-6%	7%	33%	13%
COMMERZBANK (XET)	CBK GR	Materials	11%	14%	18%	7%	13%
AERCAP HOLDINGS N V	AER US	Materials	7%	10%	13%	20%	13%
DANSKE BANK	DANSKE DC	Materials	4%	18%	19%	7%	12%
INTESA SANPAOLO	ISP IM	Materials	14%	13%	14%	6%	12%

JPM Rising inflation losers - JPDEINFL

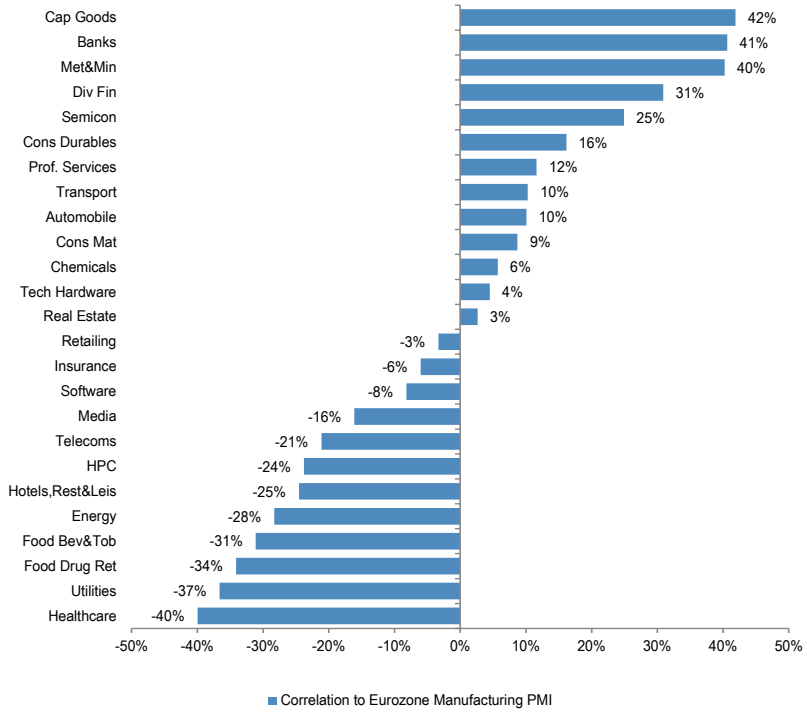
			Correlation to				
Name	Ticker	Sector	Yield Curve	US Inflation forwards	EUR Inflation Forwards	S&P GSCI	Average correlation
NESTLE 'N'	NESN SW	Staples	-15%	-20%	-18%	-30%	-21%
UNILEVER (UK)	ULVR LN	Staples	-15%	-21%	-18%	-28%	-21%
NATIONAL GRID	NG/ LN	Utilities	-18%	-15%	-21%	-26%	-20%
RECKITT BENCKISER GROUP	RKT LN	Staples	-13%	-15%	-17%	-35%	-20%
ESSITY B	ESSITYB SS	Staples	-4%	-19%	-23%	-30%	-19%
GLAXOSMITHKLINE	GSK LN	Health care	-15%	-14%	-14%	-32%	-19%
DANONE	BN FP	Staples	-8%	-20%	-14%	-27%	-18%
TERNA RETE ELETTRICA NAZ	TRN IM	Utilities	-11%	-21%	-15%	-22%	-17%
KERRY GROUP 'A'	KYGA ID	Staples	-9%	-21%	-12%	-26%	-17%
NOVARTIS 'R'	NOVN SW	Health care	-11%	-16%	-18%	-23%	-17%
RECORDATI INDUA.CHIMICA	REC IM	Health care	-10%	-21%	-12%	-25%	-17%
SEVERN TRENT	SVT LN	Utilities	-12%	-16%	-20%	-19%	-17%
UNITED UTILITIES GROUP	UU/ LN	Utilities	-16%	-13%	-15%	-23%	-17%
SWISS PRIME SITE	SPSN SW	Real Estate	-11%	-15%	-16%	-23%	-16%
ASTRAZENECA	AZN LN	Health care	-16%	-9%	-14%	-24%	-16%
ROCHE HOLDINGS 'B'	ROG SW	Health care	-12%	-14%	-11%	-26%	-16%
BEIERSDORF (XET)	BEI GR	Staples	-11%	-14%	-13%	-24%	-16%
INFRASTRUTTURE WIRELESS ITALIANE SPA NPV	INW IM	Comm. Srvcs	-12%	-19%	-14%	-17%	-15%
DIAGEO	DGE LN	Staples	-10%	-15%	-14%	-23%	-15%
BARRY CALLEBAUT	BARN SW	Staples	-15%	-14%	-15%	-16%	-15%
VONOVIA (XET)	VNA GR	Real Estate	-12%	-18%	-17%	-12%	-15%
COLOPLAST B	COLOB DC	Health care	-9%	-12%	-16%	-21%	-14%
DIASORIN	DIA IM	Health care	-4%	-18%	-15%	-20%	-14%
L'OREAL	OR FP	Staples	-9%	-16%	-7%	-24%	-14%
IMPERIAL BRANDS	IMB LN	Staples	-13%	-10%	-16%	-17%	-14%
FRESENIUS MED.CARE (XET)	FME GR	Health care	-7%	-15%	-11%	-23%	-14%
LEG IMMOBILIEN (XET)	LEG GR	Real Estate	-11%	-17%	-14%	-11%	-13%
BIOMERIEUX	BIM FP	Health care	-8%	-9%	-14%	-22%	-13%
ESSILORLUXOTTICA	EL FP	Health care	-9%	-13%	-11%	-19%	-13%
SSE	SSE LN	Utilities	-14%	-10%	-13%	-15%	-13%
KONINKLIJKE AHOLD DELHAIZE	AD NA	Staples	-9%	-11%	-3%	-26%	-12%
TELENOR	TEL NO	Comm. Srvcs	-12%	-15%	-6%	-16%	-12%
BRITISH AMERICAN TOBACCO	BATS LN	Staples	-11%	-10%	-12%	-16%	-12%
HEINEKEN	HEIA NA	Staples	-6%	-17%	-14%	-11%	-12%
CELLNEX TELECOM	CLNX SM	Comm. Srvcs	-14%	-13%	-9%	-11%	-12%
SIEMENS (XET)							
HEALTHINEERS	SHL GR	Health care	-2%	-13%	-17%	-14%	-12%
HEINEKEN HOLDING	HEIO NA	Staples	-7%	-16%	-11%	-9%	-11%
HIKMA PHARMACEUTICALS	HIK LN	Health care	-8%	-10%	-9%	-17%	-11%
ASSOCIATED BRIT.FOODS	ABF LN	Staples	-9%	-10%	-9%	-16%	-11%
DAVIDE CAMPARI MILANO	CPR IM	Staples	-8%	-10%	-11%	-14%	-11%

Source: Datastream, J.P. Morgan, all stocks are liquidity weighted in the baskets

17) European Cyclicals vs Defensives: closely linked to the PMI momentum

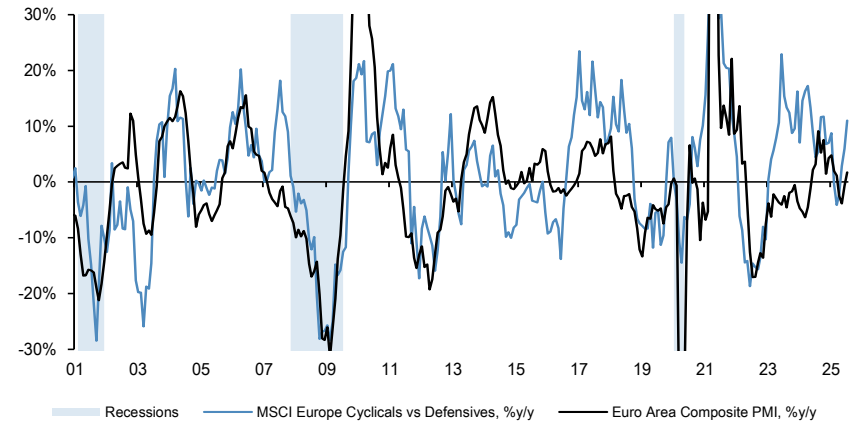
- The gap between Cyclicals relative performance and PMIs has closed. For Cyclical outperformance to sustain, PMIs need to move higher.
- At a sector level, Industrials & Financials display the highest positive correlation to PMIs.

European sectors correlation to Eurozone manufacturing PMI



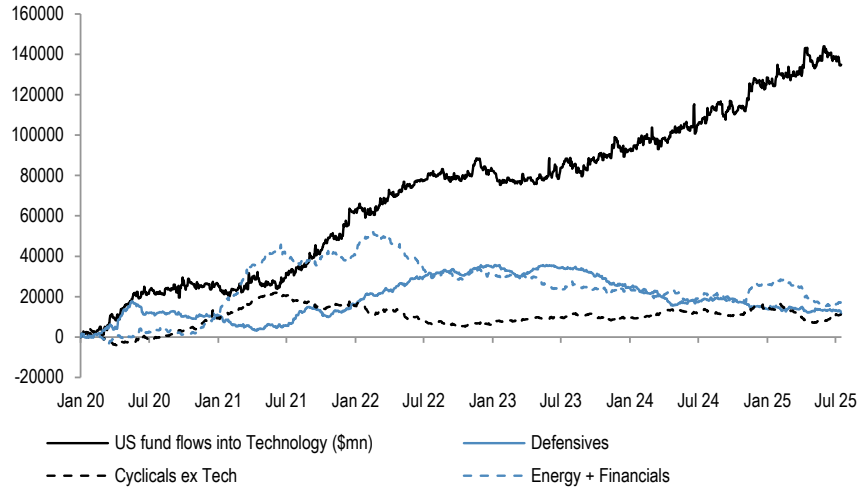
Source: S&P Global, Datastream

European Cyclicals vs Defensives and PMI



Source: Datastream

Flows: US Cyclicals vs Defensives



Source: Flows & Liquidity team, J.P. Morgan

Baskets of European Cyclicals and Defensives

JPM European Cyclicals - JPDEECYC

Name	Ticker	Sector
RIO TINTO	RIO LN	Materials
GIVAUDAN 'N'	GIVN SW	Materials
BASF (XET)	BAS GR	Materials
ANGLO AMERICAN	AAL LN	Materials
ANTOFAGASTA	ANTO LN	Materials
EMS-CHEMIE 'N'	EMSN SW	Materials
SYMRISE (XET)	SY1 GR	Materials
AKZO NOBEL	AKZA NA	Materials
NORSK HYDRO	NHY NO	Materials
AIRBUS	AIR FP	Industrials
SAFRAN	SAF FP	Industrials
RHEINMETALL (XET)	RHM GR	Industrials
DSV	DSV DC	Industrials
DEUTSCHE POST (XET)	DHL GR	Industrials
SAINT GOBAIN	SGO FP	Industrials
EXPERIAN	EXPN LN	Industrials
FERROVIAL	FER SM	Industrials
SANDVIK	SAND SS	Industrials
GEBERIT 'R'	GEBN SW	Industrials
MTU AERO ENGINES (XET) HLDG.	MTX GR	Industrials
PRYSMIAN	PRY IM	Industrials
ACS ACTIV.CONSTR.Y SERV.	ACS SM	Industrials
EIFFAGE	FGR FP	Industrials
VAT GROUP	VACN SW	Industrials
RENTOKIL INITIAL	RTO LN	Industrials
PROSUS N	PRX NA	Discretionary
RICHEMONT N	CFR SW	Discretionary
MERCEDES-BENZ GROUP(XET) N	MBG GR	Discretionary
STELLANTIS	STLA US	Discretionary
NEXT	NXT LN	Discretionary
VOLKSWAGEN PREF. (XET)	VOW GR	Discretionary
ICTL.HTLS.GP.	IHG LN	Discretionary
RENAULT	RNO FP	Discretionary
PANDORA	PNDORA DC	Discretionary
D IETEREN GROUP	DIE BB	Discretionary
ASML HOLDING	ASML NA	IT
INFINEON TECHS. (XET)	IFX GR	IT
CAPGEMINI	CAP FP	IT
ASM INTERNATIONAL	ASM NA	IT
NOKIA	NOKIA FH	IT

Source: Datastream, J.P. Morgan, all stocks are equally weighted in the baskets

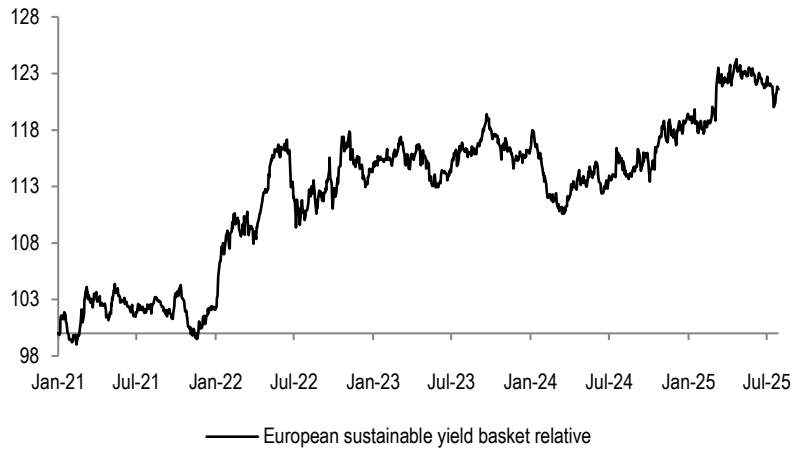
JPM European Defensives - JPDEEDEF

Name	Ticker	Sector
L'OREAL	OR FP	Staples
UNILEVER (UK)	ULVR LN	Staples
BRITISH AMERICAN TOBACCO	BATS LN	Staples
COCA COLA EUROPACIFIC PARTNERS	CCEP US	Staples
KONINKLIJKE AHOLD DELHAIZE	AD NA	Staples
TESCO	TSCO LN	Staples
IMPERIAL BRANDS	IMB LN	Staples
PERNOD-RICARD	RI FP	Staples
ASSOCIATED BRIT.FOODS	ABF LN	Staples
COCA-COLA HBC	CCH LN	Staples
HENKEL PREF. (XET)	HEN3 GR	Staples
ORKLA	ORK NO	Staples
CARREFOUR	CA FP	Staples
SAINSBURY J	SBRY LN	Staples
BARRY CALLEBAUT	BARN SW	Staples
NOVO NORDISK 'B'	NOVOB DC	Health care
NOVARTIS 'R'	NOVN SW	Health care
ROCHE HOLDING	ROG SW	Health care
SANOFI	SAN FP	Health care
GLAXOSMITHKLINE	GSK LN	Health care
ALCON ORD SHS	ALC SW	Health care
BAYER (XET)	BAYN GR	Health care
PUBLICIS GROUPE	PUB FP	Comm. Srvcs
CELLNEX TELECOM	CLNX SM	Comm. Srvcs
BT GROUP	BT/A LN	Comm. Srvcs
TELENOR	TEL NO	Comm. Srvcs
KPN KON	KPN NA	Comm. Srvcs
TELIA COMPANY	TELIA SS	Comm. Srvcs
CTS EVENTIM (XET)	EVD GR	Comm. Srvcs
INFRASTRUTTURE WIRELESS	INW IM	Comm. Srvcs
TELE2 B	TEL2B SS	Comm. Srvcs
IBERDROLA	IBE SM	Utilities
ENEL	ENEL IM	Utilities
NATIONAL GRID	NG/ LN	Utilities
ENDESA	ELE SM	Utilities
SSE	SSE LN	Utilities
VEOLIA ENVIRON	VIE FP	Utilities
TERNA RETE ELETTRICA NAZ	TRN IM	Utilities
OERSTED	ORSTED DC	Utilities
ACCIONA	ANA SM	Utilities

18) Sustainable yield basket

- A sector neutral list of 40 high- and sustainable-yielding European stocks, with safe and higher than sector median dividends, FCF yield higher than sector median, FCF yield greater than dividend yield and dividend cover greater than 1 and strong balance sheets.

JPM Sustainable yield basket price relative



Source: Bloomberg Finance L.P.

JPM European Sustainable yield basket - JPDESDIV

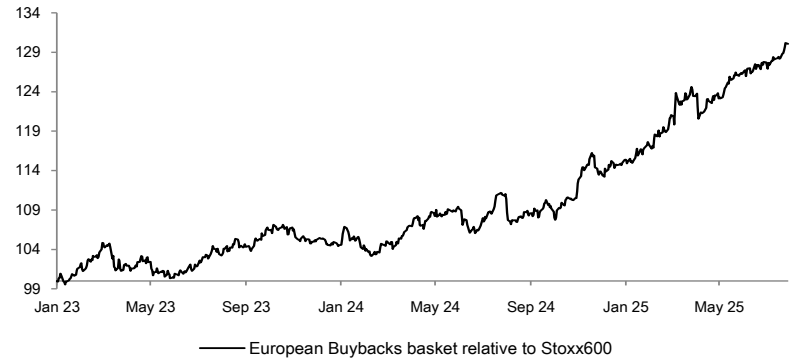
Name	Ticker	Sector	DY
SVENSKA HANDELSBANKEN-A SHS	SHBA SS	Financials	10.3%
BANCO BPM SPA	BAMI IM	Financials	9.1%
SWEDBANK AB - A SHARES	SWEDA SS	Financials	9.1%
LEGAL & GENERAL GROUP PLC	LGEN LN	Financials	8.6%
PHOENIX GROUP HOLDINGS PLC	PHNX LN	Financials	8.5%
BOUYGUES SA	EN FP	Industrials	8.4%
INTESA SANPAOLO	ISP IM	Financials	8.2%
SOLVAY SA	SOLB BB	Materials	8.2%
DANSKE BANK A/S	DANSKE DC	Financials	7.8%
ENI SPA	ENI IM	Energy	7.6%
BRITISH AMERICAN TOBACCO PLC	BATS LN	Staples	6.9%
LAND SECURITIES GROUP PLC	LAND LN	Real Estate	6.8%
WPP PLC	WPP LN	Comm. Srvcs	6.8%
RENAULT SA	RNO FP	Discretionary	6.8%
UPM-KYMMENE OYJ	UPM FH	Materials	6.6%
EVONIK INDUSTRIES AG	EVK GR	Materials	6.4%
ORANGE	ORA FP	Comm. Srvcs	6.3%
TELIA CO AB	TELIA SS	Comm. Srvcs	6.2%
MERCEDES-BENZ GROUP AG	MBG GR	Discretionary	6.2%
IMPERIAL BRANDS PLC	IMB LN	Staples	5.8%
EDP SA	EDP PL	Utilities	5.6%
BAYERISCHE MOTOREN WERKE AG	BMW GR	Discretionary	5.6%
DAIMLER TRUCK HOLDING AG	DTG GR	Industrials	5.3%
TELEPERFORMANCE	TEP FP	Industrials	5.3%
MICHELIN (CGDE)	ML FP	Discretionary	5.3%
VEOLIA ENVIRONNEMENT	VIE FP	Utilities	5.2%
SODEXO SA	SW FP	Discretionary	5.1%
SAINSBURY (J) PLC	SBRY LN	Staples	5.0%
REXEL SA	RXL FP	Industrials	4.9%
SANOFI	SAN FP	Health care	4.9%
AENA SME SA	AENA SM	Industrials	4.9%
PERNOD RICARD SA	RI FP	Staples	4.8%
DHL GROUP	DHL GR	Industrials	4.7%
DCC PLC	DCC LN	Industrials	4.5%
DEUTSCHE LUFTHANSA-REG	LHA GR	Industrials	4.5%
GSK PLC	GSK LN	Health care	4.4%
ERICSSON LM-B SHS	ERICB SS	IT	3.8%
ROCHE HOLDING AG-GENUSSCHEIN	ROG SW	Health care	3.7%
NOVARTIS AG-REG	NOVN SW	Health care	3.5%
NOKIA OYJ	NOKIA FH	IT	3.3%

Source: Bloomberg Finance L.P., stocks equally weighed in the basket

19) European Buybacks basket

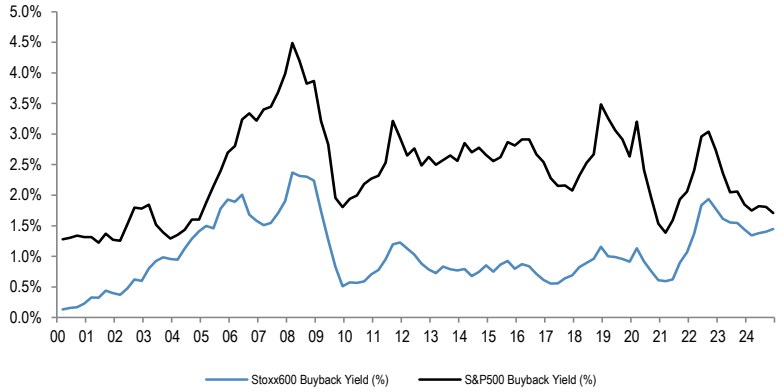
- We believe stocks engaging in buybacks will be rewarded by the market.
- We compile a list of stocks that are currently doing a buyback / are expected to do one in 2025-26.

European buybacks price relative



Source: Bloomberg Finance L.P., J.P. Morgan

European and US buybacks yield



JPM European Buybacks basket - JPDEEUBB

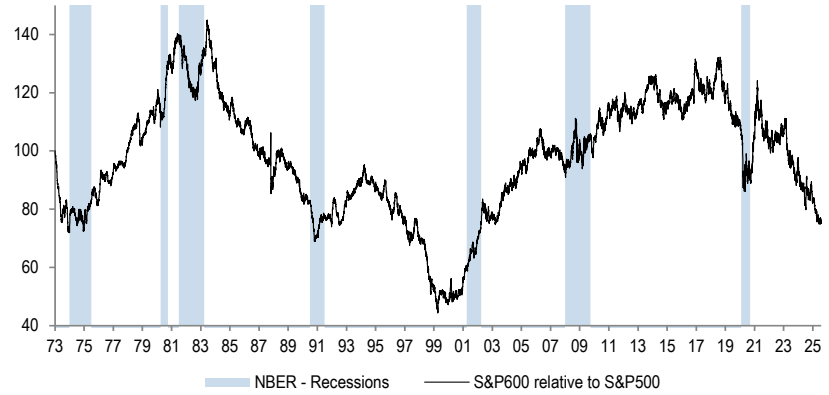
Name	Ticker	Sector	Buyback yield
Rexel SA	RXL FP	Industrials	9.0%
Daimler Truck Holding AG	DTG GR	Industrials	8.3%
Scout24 SE	G24 GR	Comm. Srvcs	8.0%
Equinor ASA	EQNR NO	Energy	7.7%
Beazley PLC	BEZ LN	Financials	7.7%
Standard Chartered PLC	STAN LN	Financials	7.3%
Shell PLC	SHEL LN	Energy	7.1%
Cie de Saint-Gobain SA	SGO FP	Industrials	6.9%
Imperial Brands PLC	IMB LN	Staples	6.8%
International Consolidated Air	IAG SM	Industrials	6.7%
Mercedes-Benz Group AG	MBG GR	Discretionary	6.6%
ING Groep NV	INGA NA	Financials	6.5%
Tesco PLC	TSCO LN	Staples	6.0%
AIB Group PLC	AIBG ID	Financials	6.0%
Societe Generale SA	GLE FP	Financials	5.6%
Lloyds Banking Group PLC	LLOY LN	Financials	5.4%
Barclays PLC	BARC LN	Financials	5.3%
BAWAG Group AG	BG AV	Financials	5.2%
UniCredit SpA	UCG IM	Financials	5.0%
Centrica PLC	CNA LN	Utilities	5.0%
HSBC Holdings PLC	HSBA LN	Financials	4.7%
Bank of Ireland Group PLC	BIRG ID	Financials	4.7%
Intertek Group PLC	ITRK LN	Industrials	4.7%
Commerzbank AG	CBK GR	Financials	4.4%
Syensqo SA	SYENS BB	Materials	4.3%
QinetiQ Group PLC	QQ/ LN	Industrials	4.2%
Pearson PLC	PSON LN	Discretionary	4.0%
AP Moller - Maersk A/S	MAERSKB DC	Industrials	4.0%
DSM-Firmenich AG	DSFIR NA	Materials	4.0%
Associated British Foods PLC	ABF LN	Staples	3.9%
Prudential PLC	PRU LN	Financials	3.7%
RWE AG	RWE GR	Utilities	3.7%
Banco Santander SA	SAN SM	Financials	3.6%
NatWest Group PLC	NWG LN	Financials	3.6%
Aegon Ltd	AGN NA	Financials	3.5%
Legal & General Group PLC	LGEN LN	Financials	3.5%
Bayerische Motoren Werke AG	BMW GR	Discretionary	3.3%
Stellantis NV	STLAM IM	Discretionary	3.3%
AXA SA	CS FP	Financials	3.3%
Hiscox Ltd	HSX LN	Financials	3.3%
Ryanair Holdings PLC	RYA ID	Industrials	3.2%
Deutsche Bank AG	DBK GR	Financials	3.2%
Berkeley Group Holdings PLC	BKG LN	Discretionary	3.1%
ABN AMRO Bank NV	ABN NA	Financials	3.1%
J Sainsbury PLC	SBRY LN	Staples	3.0%
Koninklijke Ahold Delhaize NV	AD NA	Staples	3.0%
Reckitt Benckiser Group PLC	RKT LN	Staples	3.0%
Skandinaviska Enskilda Banken	SEBA SS	Financials	3.0%
Novo Nordisk A/S	NOVOB DC	Health care	3.0%
Lonza Group AG	LONN SW	Health care	3.0%
ROCKWOOL A/S	ROCKB DC	Industrials	3.0%
Buzzi SpA	BZU IM	Materials	3.0%
Intesa Sanpaolo SpA	ISP IM	Financials	2.8%
Muenchener Rueckversicherungs-	MUV2 GR	Financials	2.8%
UBS Group AG	UBSG SW	Financials	2.8%
Novartis AG	NOVN SW	Health care	2.7%
Melrose Industries PLC	MRO LN	Industrials	2.6%
CaixaBank SA	CABK SM	Financials	2.5%
Storebrand ASA	STB NO	Financials	2.5%
Kerry Group PLC	KYGA ID	Staples	2.3%
Heidelberg Materials AG	HEI GR	Materials	2.3%
Swiss Life Holding AG	SLHN SW	Financials	2.2%
Coca-Cola HBC AG	CCH LN	Staples	2.1%
Teleperformance SE	TEP FP	Industrials	2.1%
NN Group NV	NN NA	Financials	2.0%
RELX PLC	REL LN	Industrials	2.0%
CRH PLC	CRH LN	Materials	2.0%

Source: Bloomberg Finance L.P., J.P. Morgan,

20) Small-cap valuations look cheap

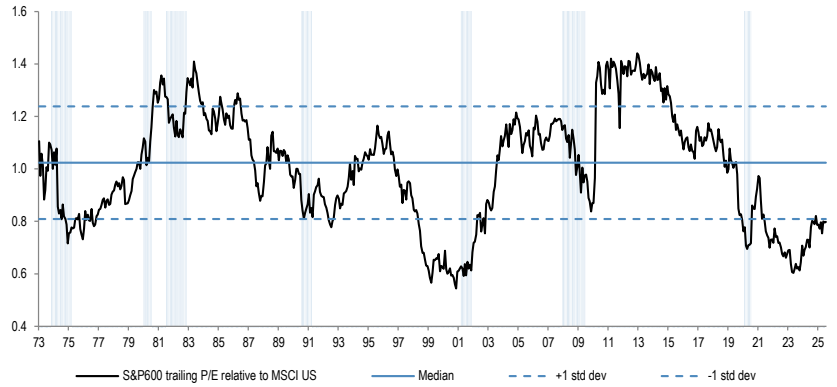
- US small-cap valuations are trading outright cheap relative to large caps.

S&P600 relative to S&P500



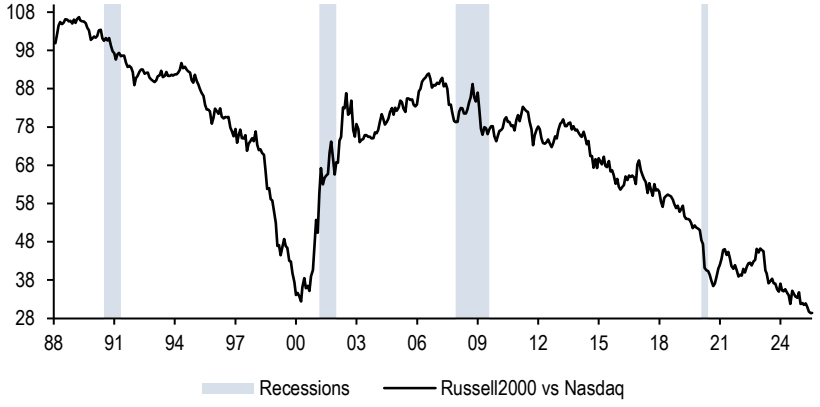
Source: Datastream, shaded bars denote recession

S&P600 small caps trailing P/E relative to MSCI US



Source: Datastream, shaded bars denote recession

Russell2000 relative to Nasdaq



Source: Datastream

European Sector Allocation

European sector allocation

		MSCI Europe Weights	Allocation	Deviation	Recommendation
Energy		**4.6%**	5.0%	0.4%	**N**
Materials		**5.8%**	8.0%	2.2%	**OW**
	Chemicals				OW
	Construction Materials				N
	Metals & Mining				OW
Industrials		**18.3%**	18.0%	-0.3%	**N**
	Capital Goods ex Aerospace & Defence				N
	Aerospace & Defence				OW
	Transport				N
	Business Services				N
Consumer Discretionary		**7.6%**	5.0%	-2.6%	**UW**
	Automobile				UW
	Consumer Durables				UW
	Consumer Srvcs				N
	Speciality Retail				N
	Internet Retail				N
Consumer Staples		**9.8%**	10.0%	0.2%	**N**
	Food & Drug Retailing				N
	Beverages				N
	Food & Tobacco				N
	Household Products				N
Healthcare		**14.8%**	16.0%	1.2%	**OW**
Financials		**22.2%**	19.0%	-3.2%	**N**
	Banks				UW
	Insurance				OW
Real Estate		**0.7%**	2.0%	1.3%	**OW**
Information Technology		**7.2%**	7.0%	-0.2%	**N**
	Software and Services				OW
	Technology Hardware				N
	Semicon & Semicon Equip				UW
Communication Services		**5.3%**	7.0%	1.7%	**OW**
	Telecommunication Services				OW
	Media				N
Utilities		**3.8%**	3.0%	-0.8%	**N**

Source: MSCI, J.P. Morgan, Datastream

ENERGY: NEUTRAL

Brent to stay low; there is no gap with equity relative

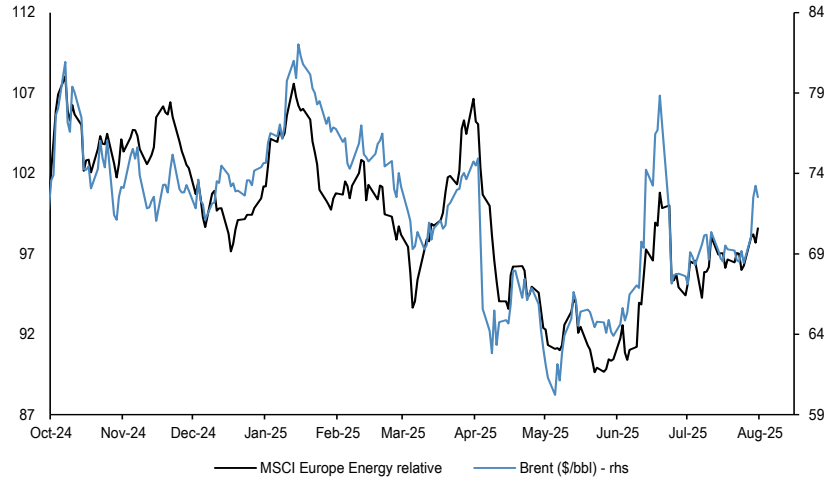
- The direction of oil prices is a big driver for the sector. Brent had a sharp rally on the back of recent tensions between Israel and Iran. However, the rally was short-lived and Brent reversed most of the gains. We see downside risks for oil prices from any favourable Russia-Ukraine headlines, potentially capping any upside in the energy sector. Recent OPEC supply increase is also a problem.
- Our commodities team projects meaningfully higher levels of oil inventory in the coming quarters, underpinning their cautious outlook on oil prices.
- On the positive side, Energy stocks offer high dividend yield and valuations remain cheap.

JPM Brent forecast

	Forecast for end of				
	28-Jul-25	Sep 25	Dec 25	Mar 26	Jun 26
Brent Crude	69	63	61	55	57

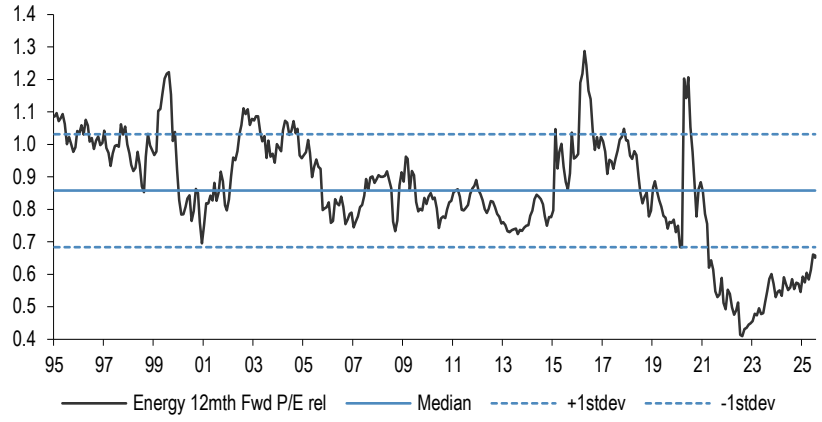
Source: J.P. Morgan Commodity Strategy

Energy sector relative performance vs oil price



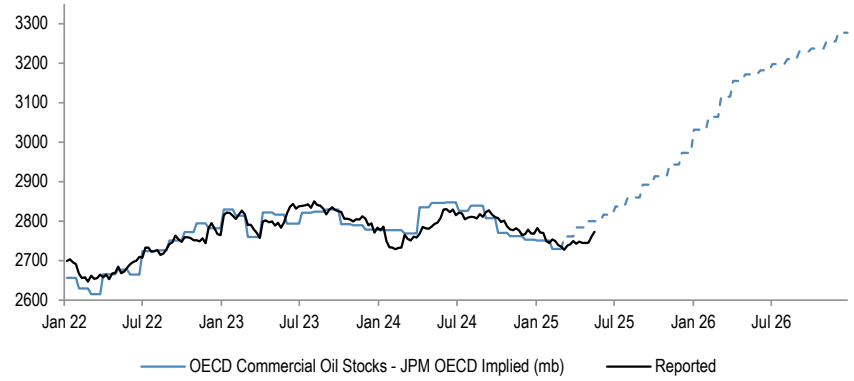
Source: Datastream

European Energy 12m Fwd. P/E relative



Source: IBES

OECD Commercial Stocks - JPM implied and Reported



Source: J.P. Morgan Commodity Strategy

MATERIALS: OVERWEIGHT

OW Mining – stronger China outlook and weaker USD to help…

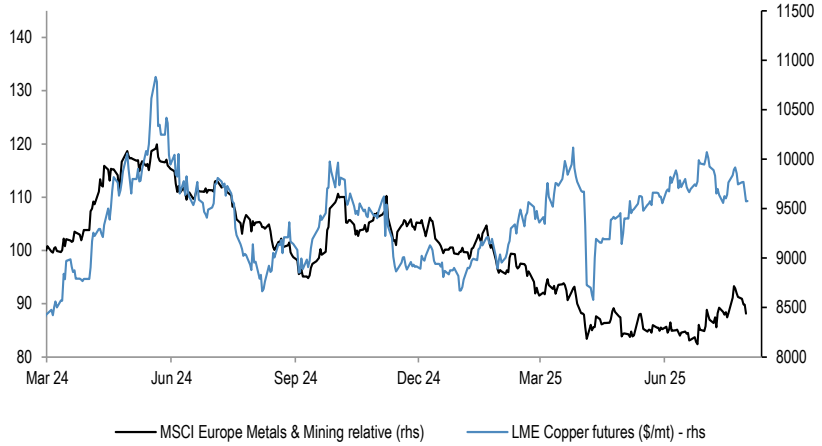
- European Miners have dramatically underperformed the broader market, by more than 40% since January ‘23. We took advantage of this to double upgrade the sector in March. Over the past month, Miners are among the best performing sectors in Europe. The potential improvement in China domestic activity may prove to be the next catalyst for the group. The pickup in China money supply should translate to better earnings.
- Mining stocks have performed poorly despite the underlying commodity prices holding up.
- Miners could benefit from better trading of underlying commodity prices, especially if the dollar weakens further.

JPM Commodity price forecasts

		Forecast for end of			
	28-Jul-25	Sep 25	Dec 25	Mar 26	Jun 26
Aluminium	2637	2,300	2,350	2,400	2,450
Nickel	15175	15,000	15,500	15,700	16,000
Zinc	2829	2,600	2,650	2,700	2,750
Copper	9770	9,100	9,350	9,400	9,500

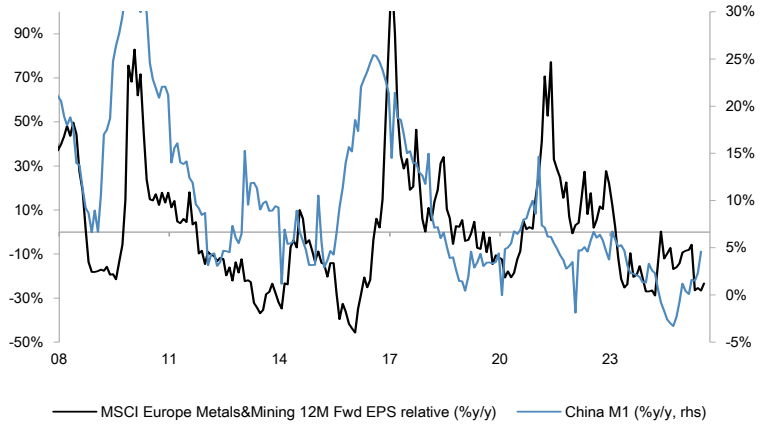
Source: J.P. Morgan Commodity Strategy

European Mining and Copper Futures



Source: Datastream

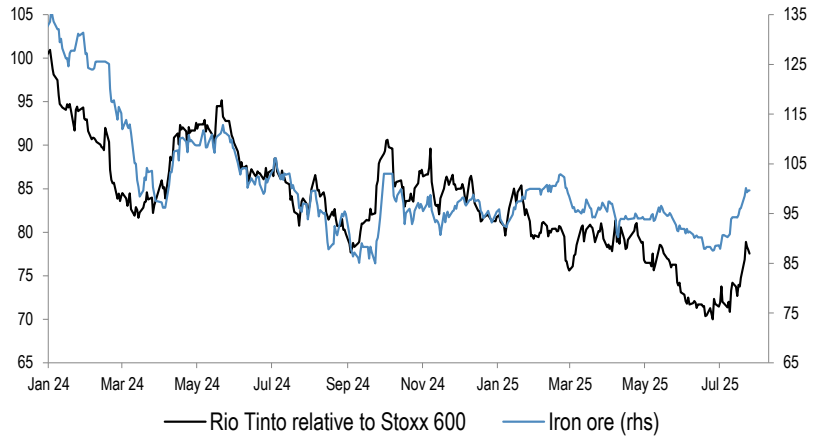
European Mining and China M1



Source: J.P. Morgan, Bloomberg Finance L.P.

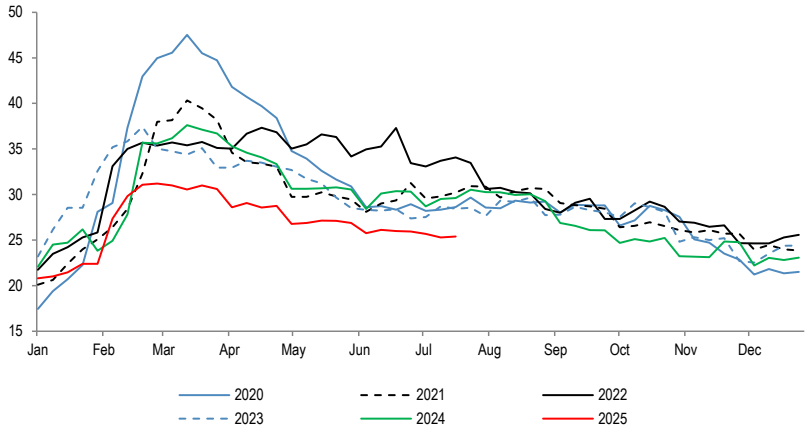
…commodity prices are likely to find support given the low levels of inventory

Rio Tinto relative and Iron Ore



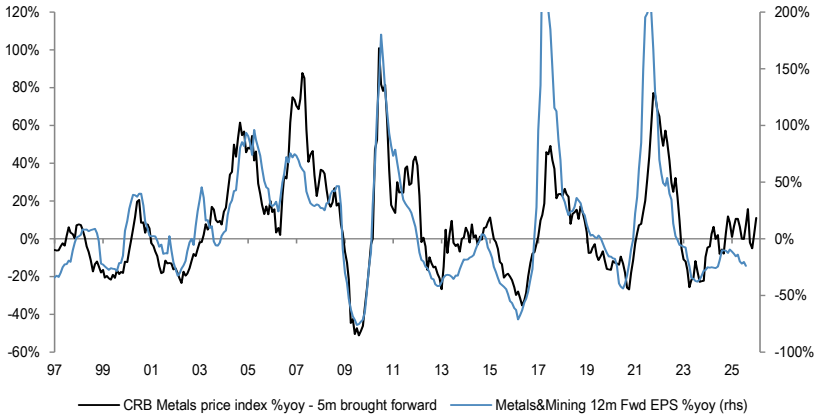
Source: Bloomberg Finance L.P.

Total China Steel Inventory



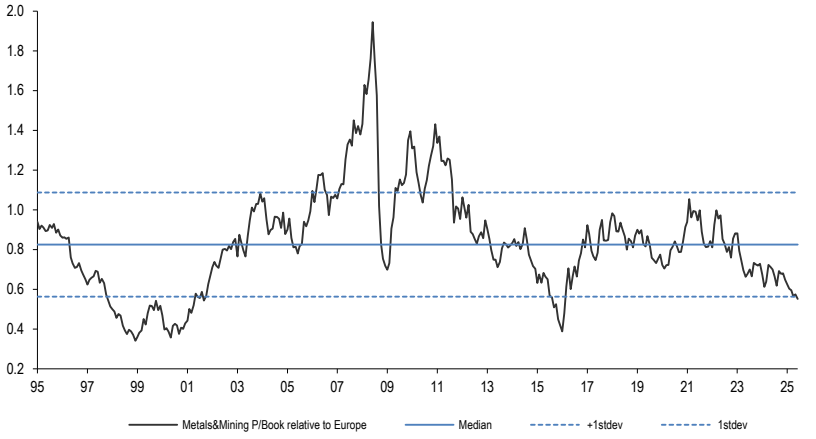
Source: J.P. Morgan European Metal & Mining Research

Metals and Mining 12m Fwd EPS and Metal prices



Source: IBES, Bloomberg Finance L.P.

European Mining P/Book relative

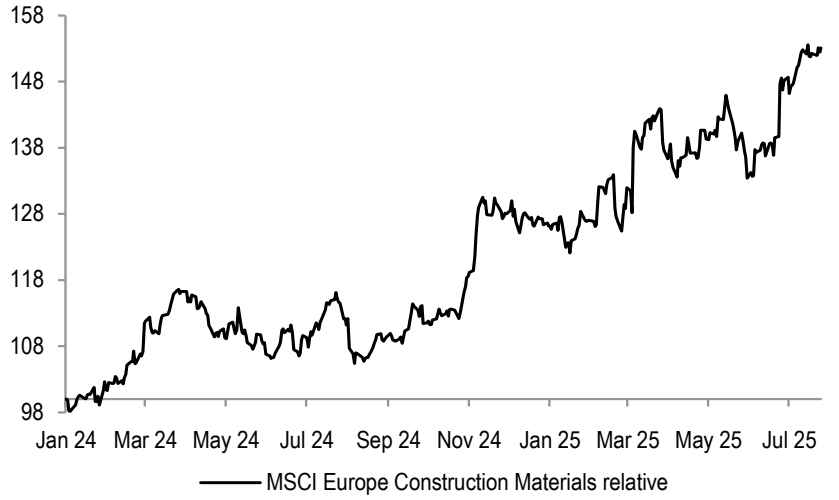


Source: IBES

N Construction Materials – margins may be peaking and valuations look stretched

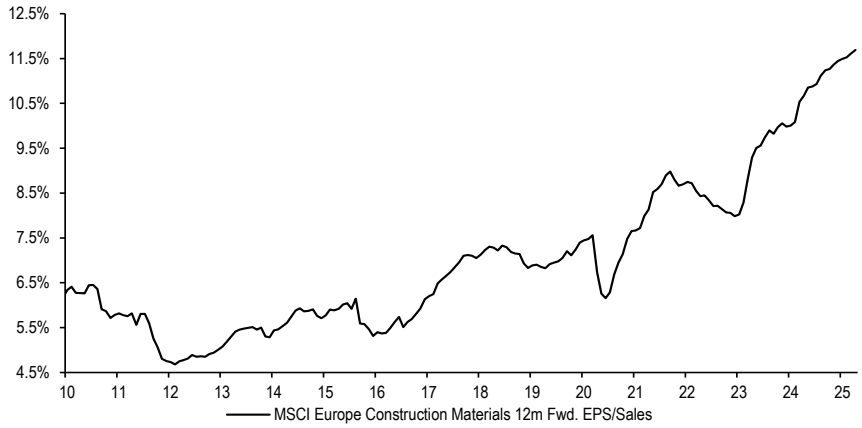
- Construction Materials stocks have enjoyed a very strong run last year. The upmove has been catalysed by growing optimism over higher capex and fiscal spending.
- The sector has witnessed very strong earnings delivery. These companies managed to increase margins from an already elevated starting point. While volumes saw some weakness, pricing was very strong.
- Valuations look expensive.

MSCI Europe Construction Materials relative



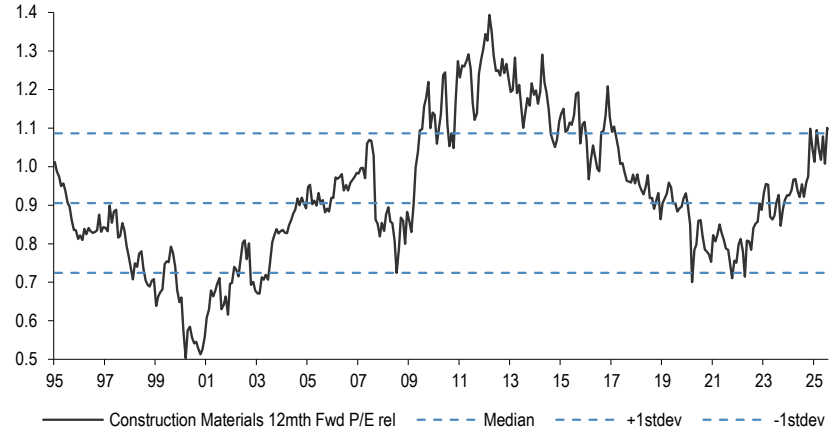
Source: Datastream

MSCI Europe Construction Materials 12m Fwd. EPS/Sales



Source: Datastream

European Construction Materials 12m Fwd. P/E relative

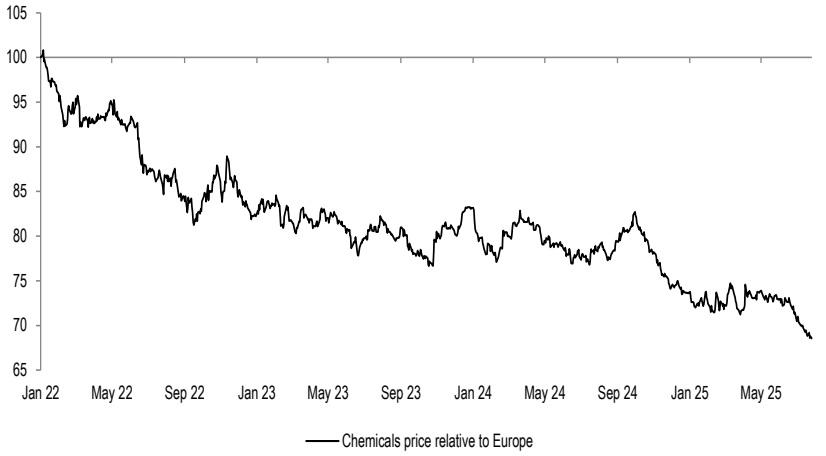


Source: Datastream

OW Chemicals – we reversed our 3 year-long UW on the sector - lower gas prices and end of destocking could lead to margins/volume recovery

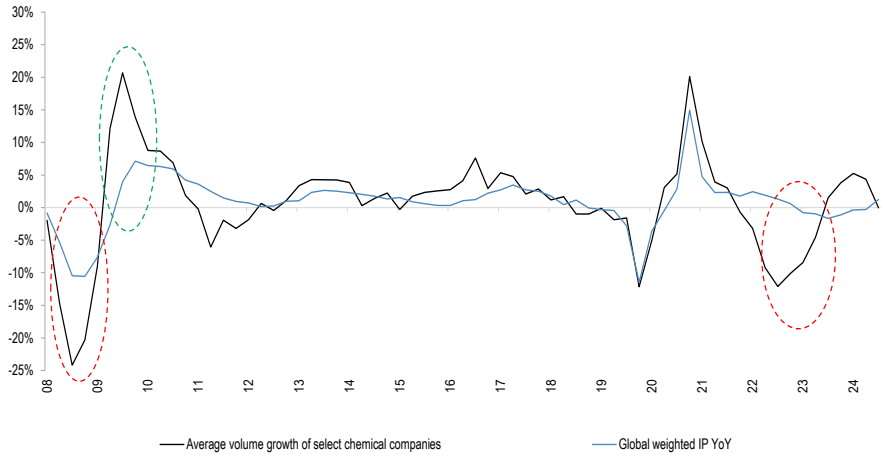
- We double upgraded the sector to OW in January, after maintaining a cautious stance on Chemicals for the past three years.
- Chemical companies have experienced significant volume weakness relative to global IP growth from mid-2022 to 2023. This was primarily driven by the reversal of inventory stockpiling post Covid and continued destocking thereafter. In 2008-09, we saw a similar disconnect between Global IP and Chemicals volume growth, which was followed by a pronounced recovery in chemicals volume. However, this time we haven't seen a similar bounce, yet.
- Our sector analysts believe that the destocking phase is largely over, and the sector is likely to see a rebound in volumes in the coming quarters.

MSCI Europe Chemicals relative

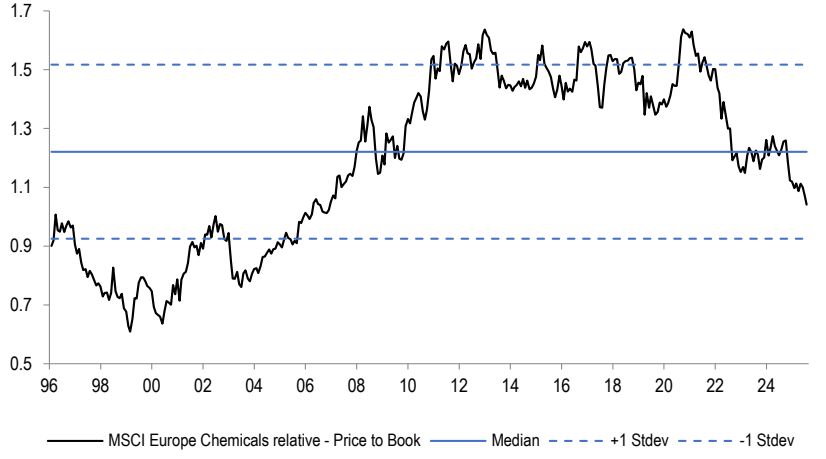


Source: Datastream

Average volume growth of select chemical companies and Global Weighted IP



European Chemicals Price to Book relative

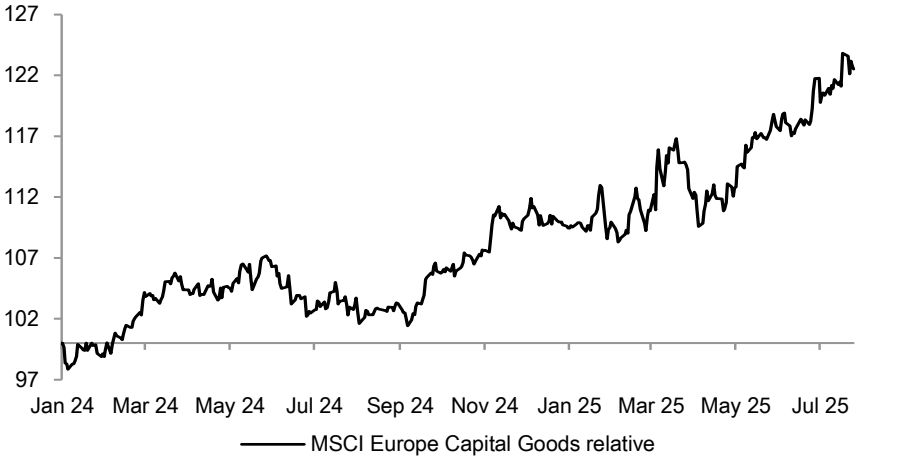


INDUSTRIALS: NEUTRAL

N Capital Goods ex A&D – trading at multi-year price relative highs on expensive valuations…

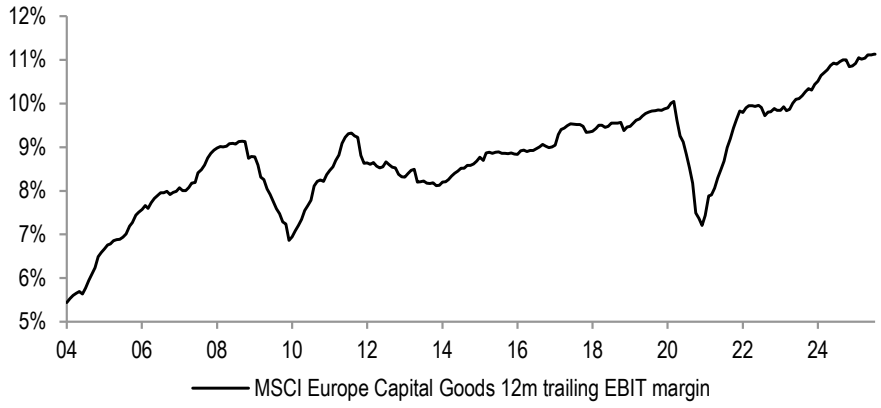
- The European Capital Goods sector has seen strong outperformance last year. Within the sector, datacenters and electrical segments drove the bulk of the strong performance, while short cycle and mechanical end market exposed names underperformed. For 2025, we continue to forecast weakness in mechanical end markets, while Semis and Residential could see some recovery.
- Sector margins are elevated and could start to normalize.
- Valuations look stretched and a lot of optimism is likely in the price already.

MSCI Europe Capital Goods relative



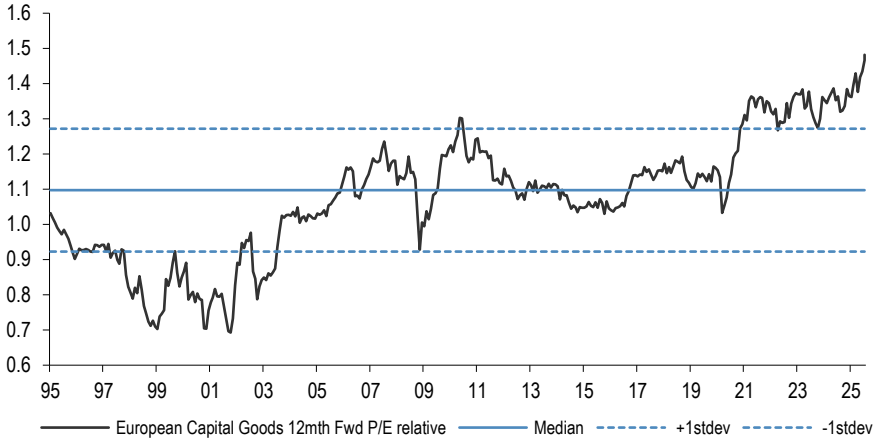
Source: Datastream

MSCI Europe Capital Goods 12m trailing EBIT margin



Source: IBES

European Capital Goods 12m forward P/E relative

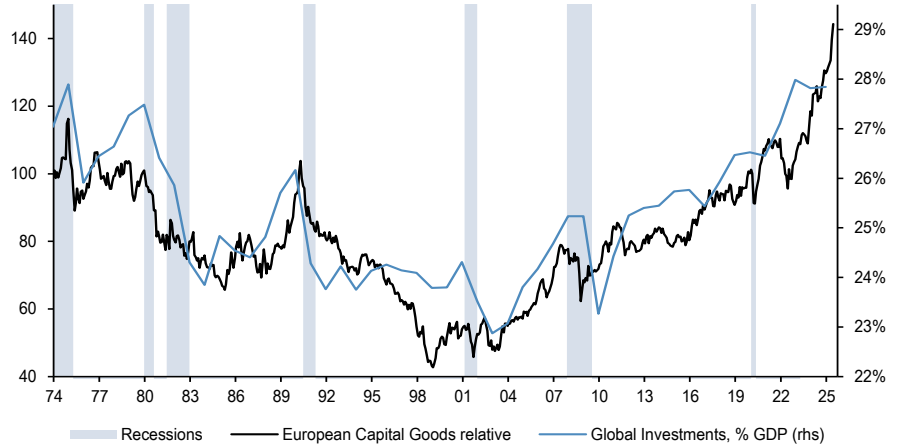


Source: IBES

…Cap Goods could come under pressure if activity momentum doesn't accelerate sustainably

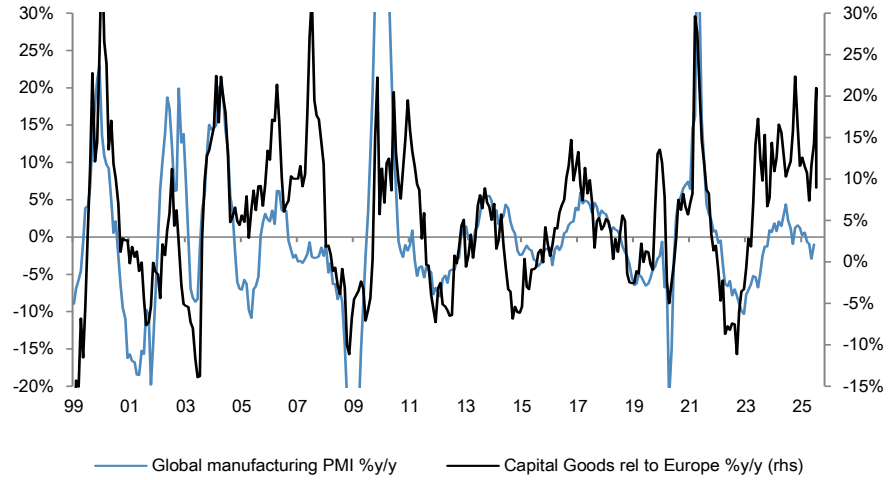
- The sector is seen as a beneficiary of increased capex spending over the last few quarters.
- In the past, the sector's relative performance has been closely aligned to the trajectory of manufacturing PMIs and to IP.
- There is divergence between the sector performance and economic fundamentals, and we do not think that Capital Goods stocks will keep performing if Eurozone activity remains sluggish.

European Capital Goods relative and global investments as a share of GDP



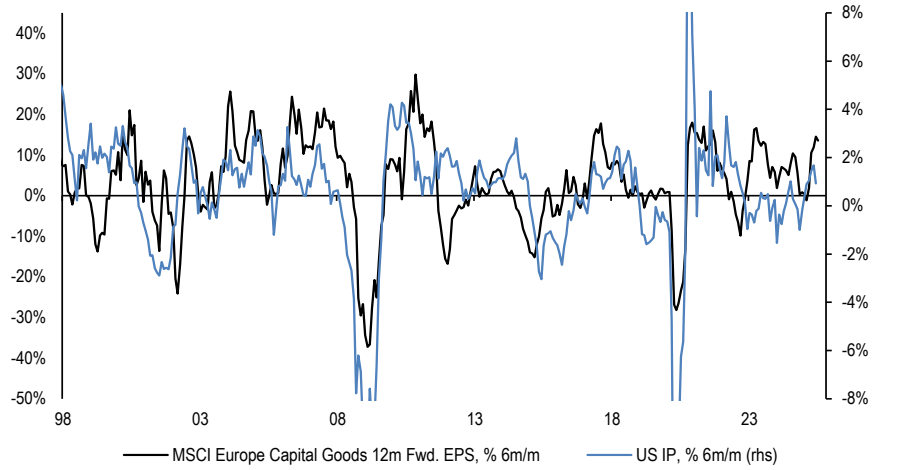
Source: Datastream

European Capital Goods rel and global manufacturing PMI



Source: IBES

European Capital Goods EPS relative and US IP



Source: Datastream

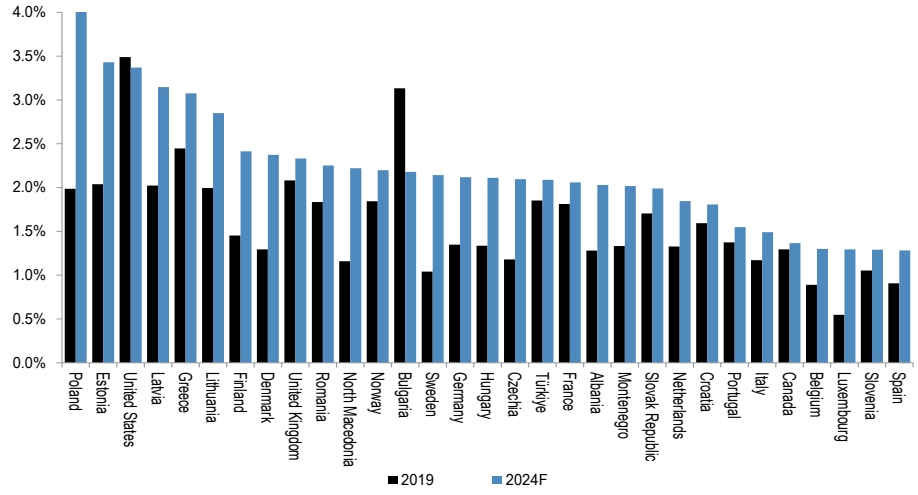
OW Aerospace & Defense: Ukraine is a wildcard

- The Aerospace & Defence sector has outperformed the index by more than 70% since last year amid increased geopolitical tensions and as a beneficiary of rising defense spending
- The space could have a structural upturn that could last for a number of years, bolstered by a permanent increase in the region's defense budgets and improving market share of European Defense plays in the domestic market.
- Our sector analysts see continued support for orderbooks over the next few years as countries look to reverse 30 years of underspending on Defence.
- The region is projected to allocate 2-4% of GDP to Defense for the foreseeable future. Although nearly two thirds of Defense imports by European NATO states come from the US currently, we see this trend changing meaningfully in the coming years, with Eurozone focusing on improving reliance on domestic sources for its future Defense needs.

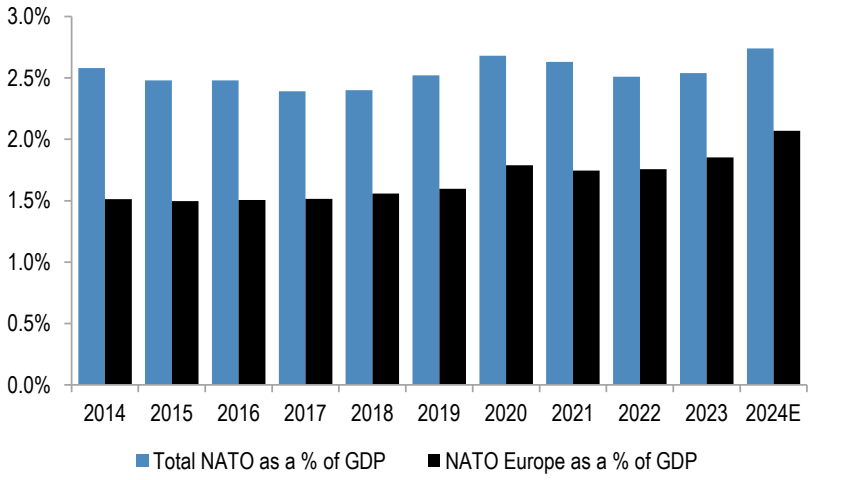
MSCI Europe Aerospace and Defense relative

Source: Datastream

2019 vs 2024E Defence Spending % of GDP for Key countries



Total NATO and NATO Europe Defence spending % of GDP



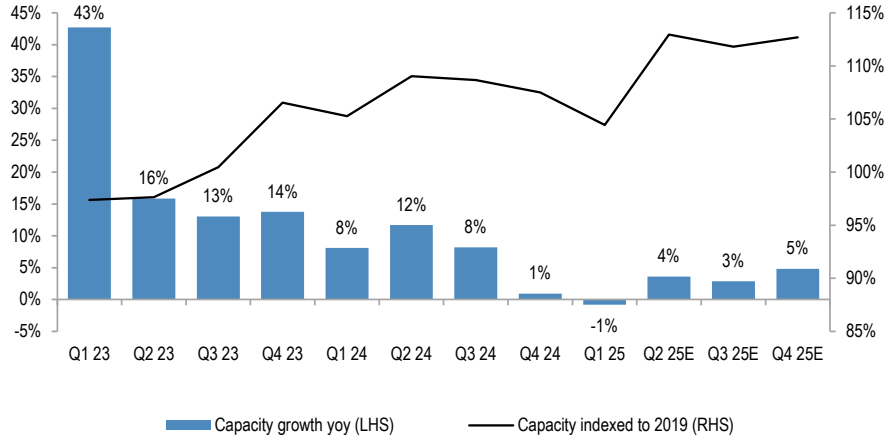
N Transport

- A combination of extra capacity and weakening demand expectations have weighed on Airlines stocks. We believe these names will continue to disappoint.
- Airlines stocks could see pricing deteriorate as additional capacity comes on stream.
- Container shipping names have performed relatively better last year, as disruption in the Red Sea absorbed some of the excess capacity.

MSCI Europe Airlines relative

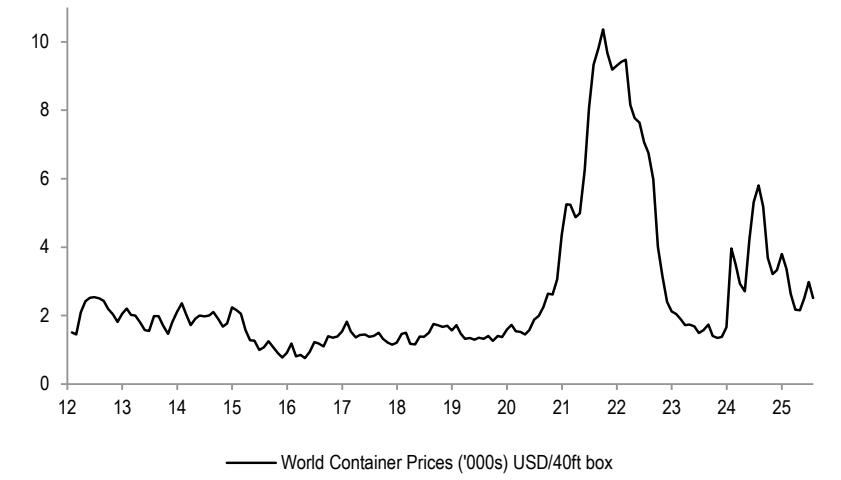
Source: Bloomberg Finance L.P.

Transatlantic capacity growth, in ASKs yoy



Source: J.P. Morgan European Airlines Research

World Container price



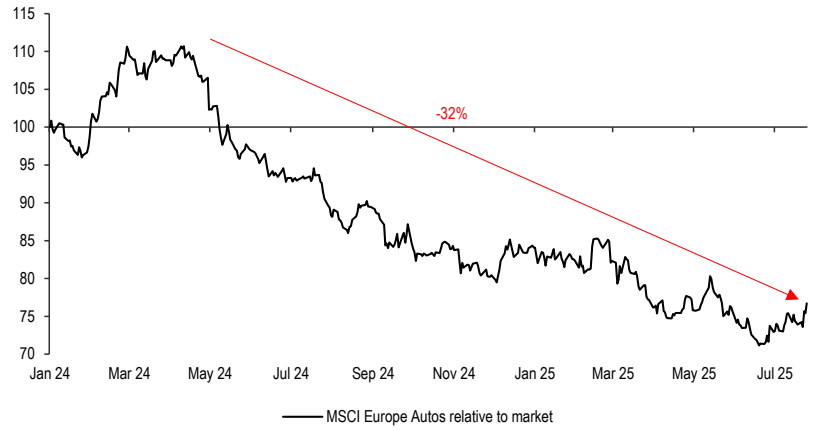
Source: Bloomberg Finance L.P.

CONSUMER DISCRETIONARY: UNDERWEIGHT

UW Autos – cheap, but with structural concerns and potential consumer weakness…

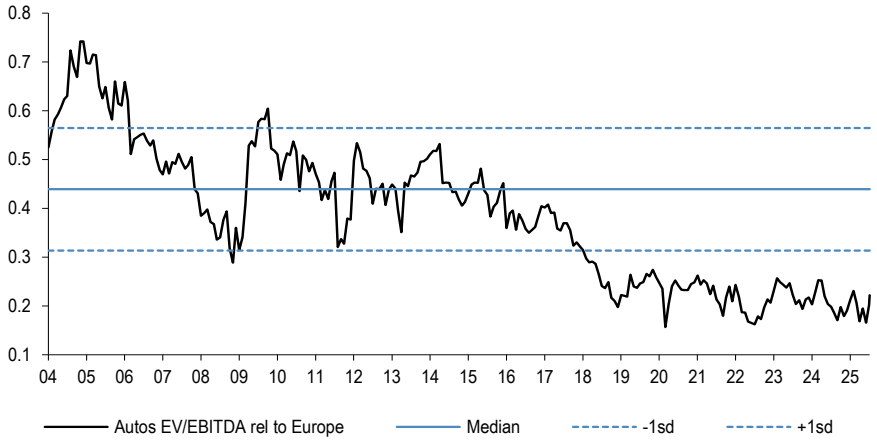
- European Autos have seen a number of profit warnings in the last quarter as companies are struggling to cope with the ongoing tariff uncertainty in a relatively weak demand backdrop. Most are citing tariffs, consumer weakness and unfavourable mix as reasons for disappointing.
- While Autos do appear cheap on most valuation metrics, such as Price to Book as well as on EV/EBITDA, we are not confident in the earnings outlook for the sector.

MSCI Europe Autos price relative



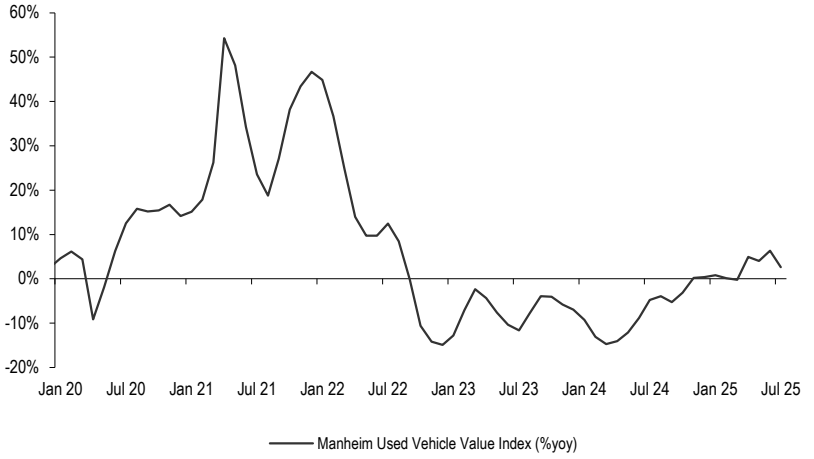
Source: Datastream

Autos EV/EBITDA relative



Source: Datastream

Manheim Used Vehicle value index

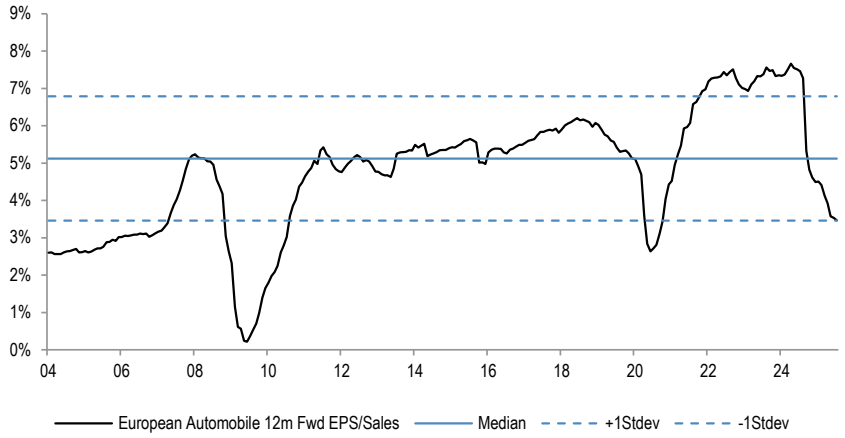


Source: Bloomberg Finance L.P.

…both volumes and pricing are coming under pressure

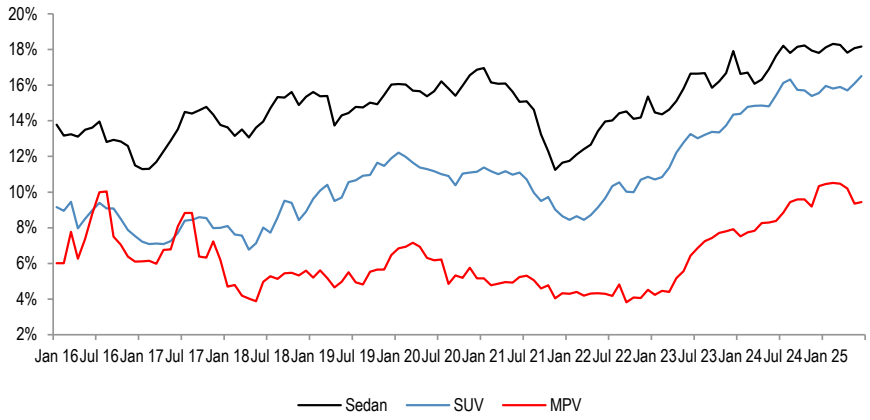
- Strong pricing and better mix drove the sector margins to all-time highs. The normalization in inventories and pricing, along with more subdued demand, has led to a clear rollover in the margins.
- Post the GFC, all Western OEMs benefitted from strong growth in China, with the market more than tripling between 2008 and 2016. However, the share of local Chinese OEMs in their home market has increased from ~40% in 2019 to ~65% in 2024. Even in the premium segment, the market share of German OEMs has declined from more than 70% in 2019 to around 40% currently. Increasing competition and weaker demand remains a significant concern for the European Autos sector.
- We also note that the level of discounts offered in the Chinese market is currently higher than what was seen pre-pandemic.

European Autos EPS/Sales



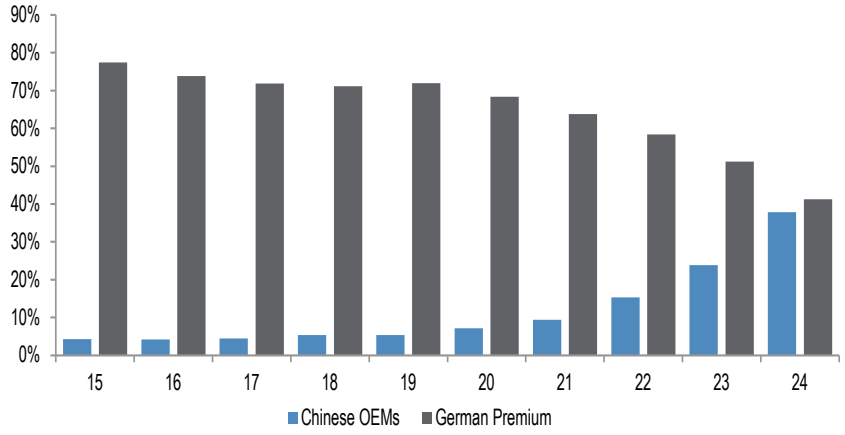
Source: IBES

Average discount by vehicle type - China



Source: JPM European Autos Research Team

China premium car market share: German vs Chinese OEMs

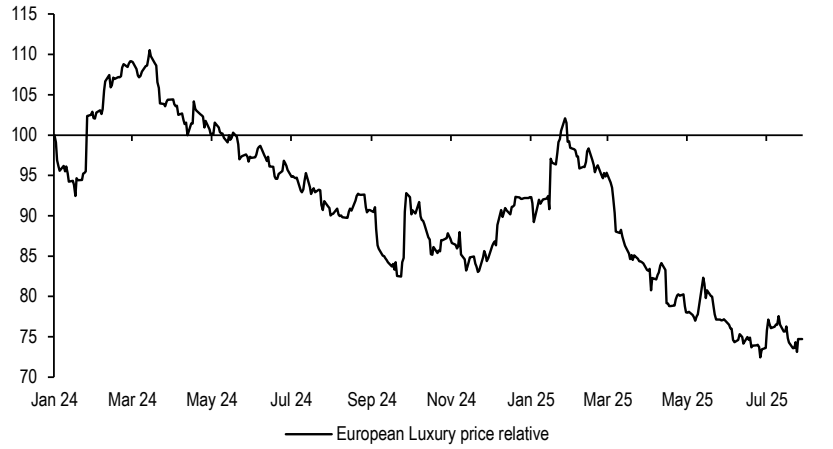


Source: JPM European Autos Research Team

UW Consumer Durables – Weak pricing, China consumption play on still expensive valuations

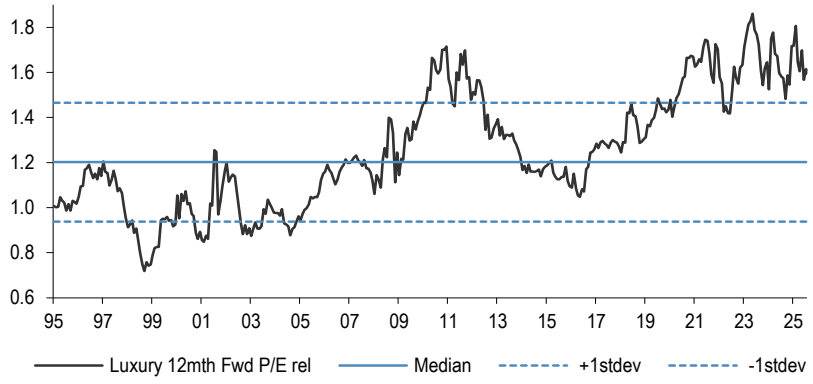
- The European Consumer Durables (Luxury) sector has underperformed in the last few months, given a weak dollar, broader market concerns on tariffs as well as Q2 earnings painting a relatively soft picture for the sector. So far, the Chinese consumer has underwhelmed, and we think that the sector will stay weak for now.
- Exposure to the Chinese consumer has fallen in the past years, with the US consumer now contributing more to total revenue. Still, the fall in luxury shopping from the China/Asia Pacific region has weighed heavily on the sector' profit outlook.
- The sector still trades expensive, and our sector analysts see few catalysts for a near-term recovery in the space. While pricing is unlikely to come down, they flag that the product mix could be weaker this year.

European Luxury price relative

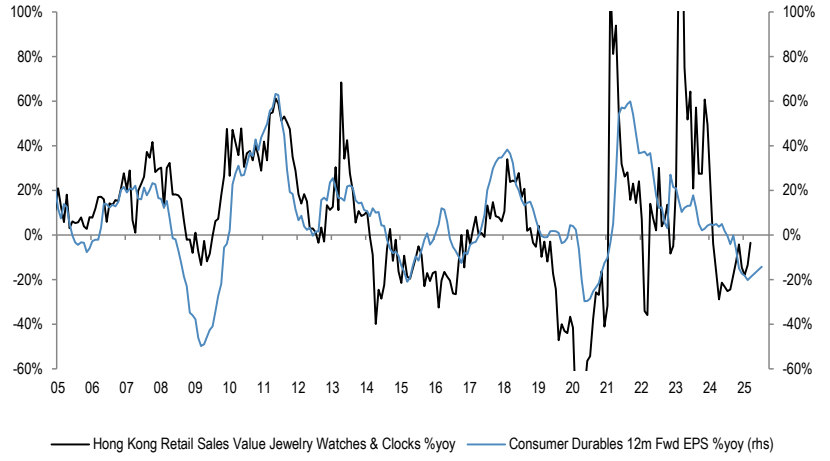


Source: Bloomberg Finance L.P.

European Luxury 12m Fwd P/E relative



HK SAR Jewelry watches sales vs Durables 12m Fwd EPS

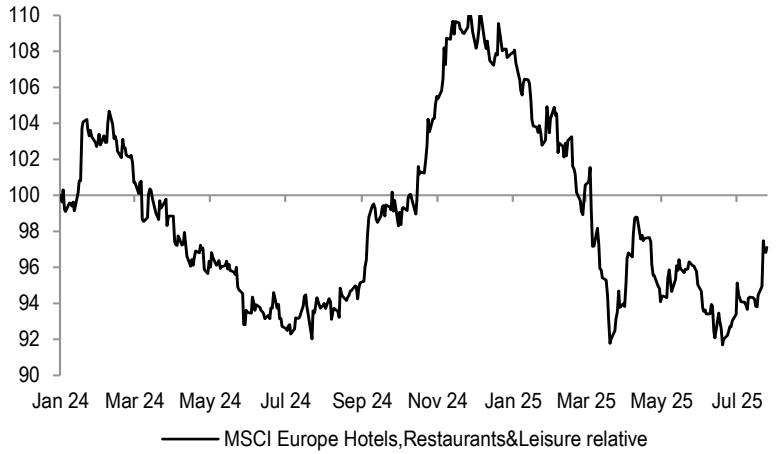


Source: IBES, Bloomberg Finance L.P.

N Consumer Services – pricing is a problem

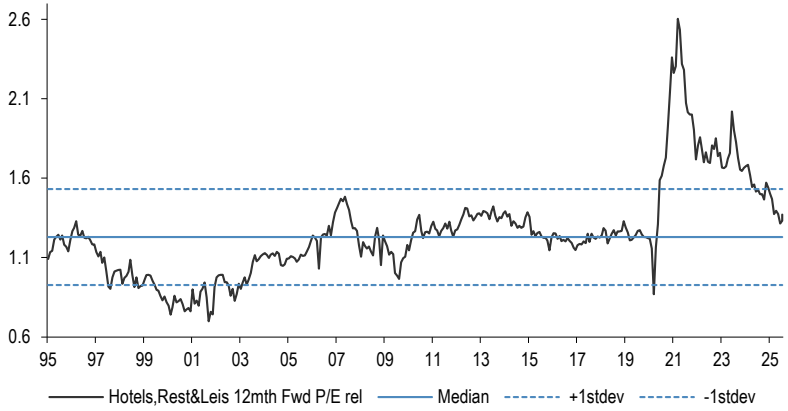
- The Consumer Services sector had a very strong run in 2H of last year, but has lost on all of its gains since.
- Premium hotels have benefitted from a combination of higher pricing and lower supply. The sector has been supported by healthy demand and RevPar, but this may not be sustained.
- While the valuations have derated and sector is trading at par with fair value, we anticipate that the sector's earnings might be jeopardized if our view of a weakening consumer materializes.

European Hotels, Restaurants & Leisure price relative



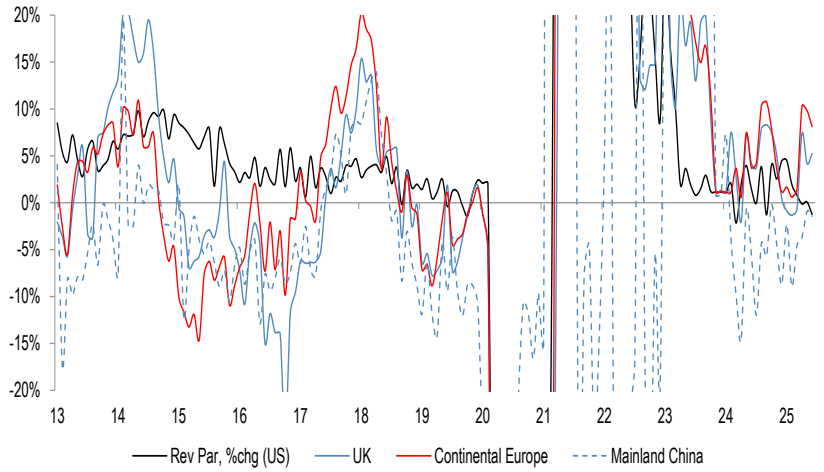
Source: Datastream

European Hotels, Rest & Leisure 12m Fwd P/E relative



Source: IBES

Rev Par - Key regions

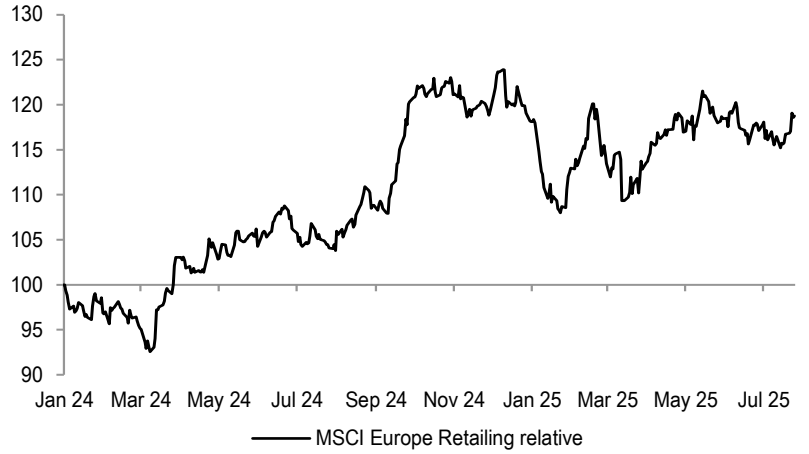


Source: J.P. Morgan European Leisure, Hotels and Gaming research

N Retail – weak consumer outlook remains a headwind, but weaker USD to provide an offset

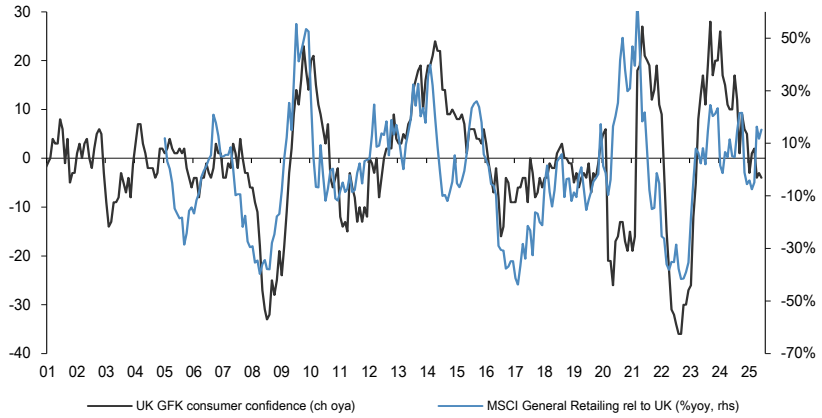
- The retail sector has done better recently as investors reshuffled out of Luxury into Retail, but this may not sustain as consumer trends are weakening across major economies.
- The sector also suffered from strong USD, and the recent weakness in USD should offer some respite.

MSCI Europe Retailing relative



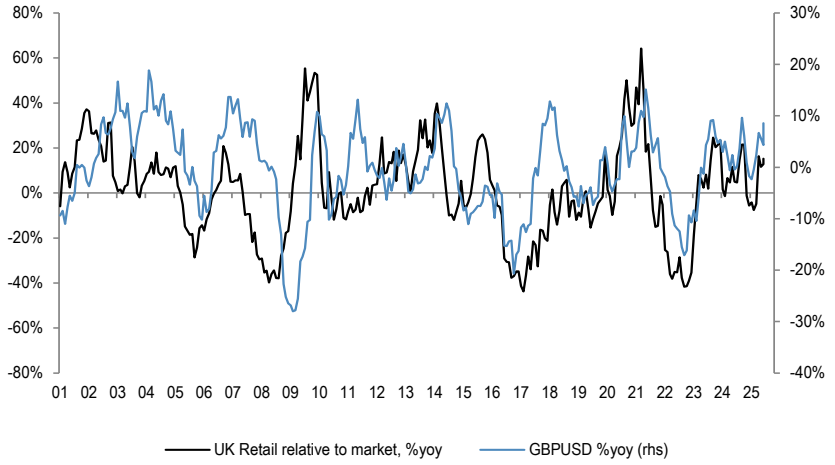
Source: Datastream

UK Retailing relative performance vs consumer Confidence



Source: Bloomberg Finance L.P., Datastream

UK Retail relative and GBP/USD



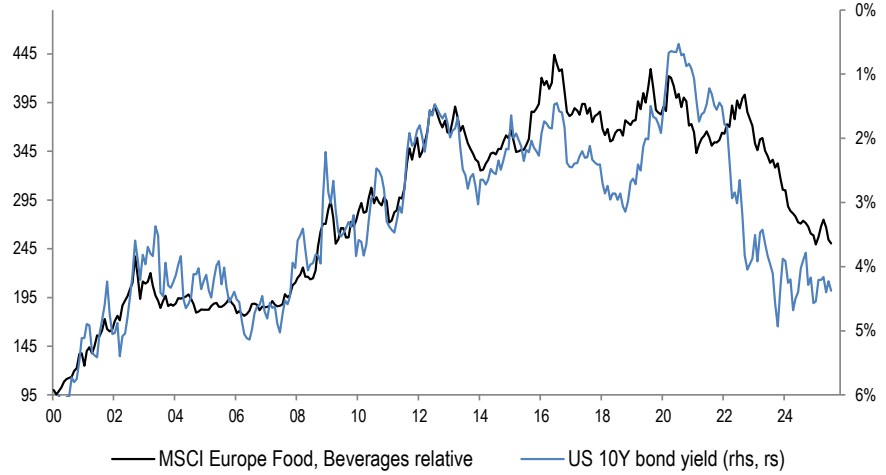
Source: Datastream

CONSUMER STAPLES: NEUTRAL

Valuations have improved significantly

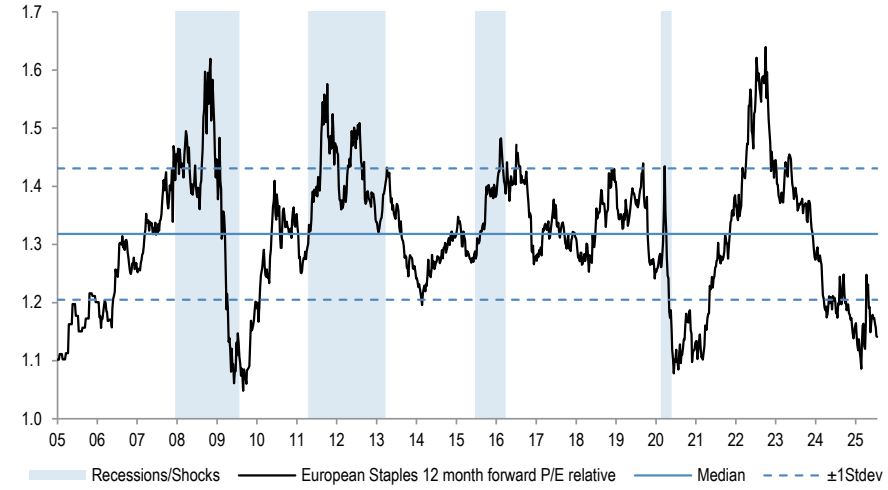
- After three years of poor performance, the sector appears to be stabilizing this year and should see more investor interest if growth concerns / tariffs induced volatility persist.
- Given this underperformance, the sector valuations have derated from extreme levels and are now trading below fair value.
- The gold to copper ratio – which symbolizes economic stress - has in the past been a good proxy for the sector's relative performance. The recent divergence is notable, and should start closing, in our view.

MSCI Europe Food & Beverages vs US 10Y bond yield

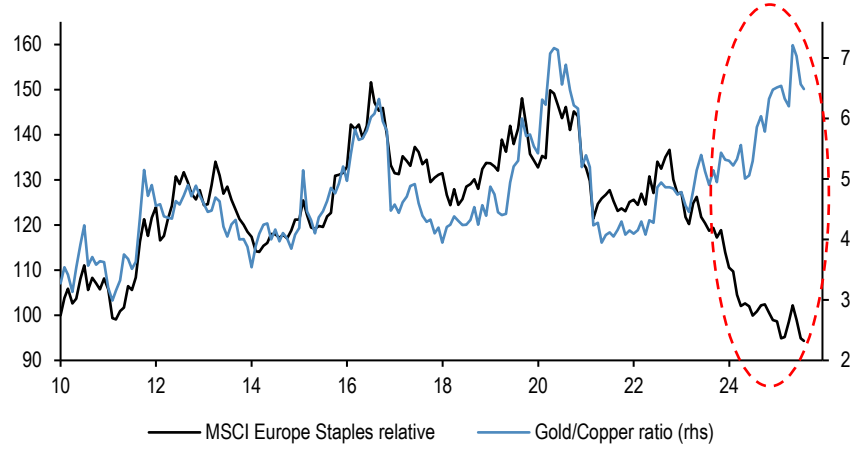


Source: Datastream

MSCI Europe Staples 12m Fwd PE relative



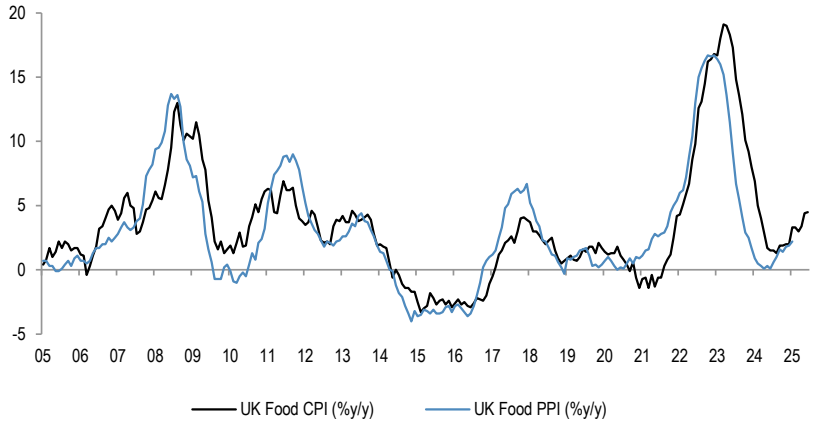
European Staples relative and gold-copper ratio



N Food & Drug Retail – modest return of food inflation likely to put some pressure on sector and earnings

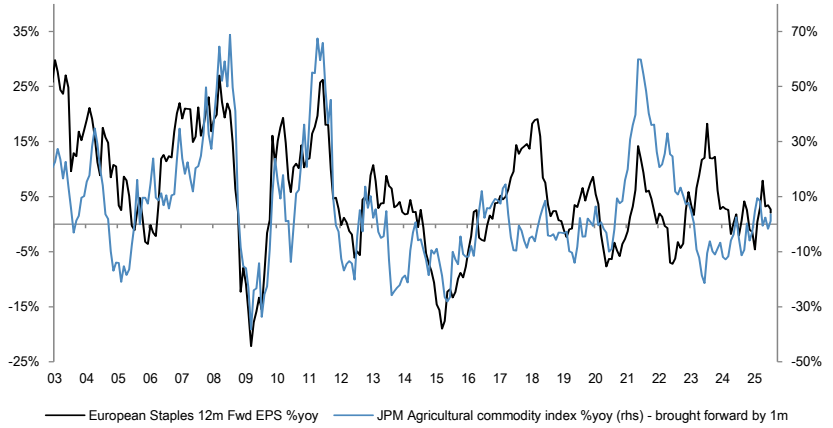
- Overall, for Staples, our sector analysts expect COGS inflation in 2025 to return to approximately 4% levels (compared to 0% in FY24E). The second half of 2024 still appears set for a fairly modest return of inflation at +2%, but pressures are notably building in coffee and cocoa for this year. They also see pockets of inflation developing: Milk prices are up from their lows (especially in the US), caustic soda prices have increased, and packaging costs are seeing some inflation. They believe that food companies could face more significant pressures.
- JPM Agricultural commodity index has been picking up. However, the gap that opened in 2023 with earnings remains wide open.

UK Food CPI vs PPI



Source: Bloomberg Finance L.P.

European Food retail 12m Fwd EPS vs JPM Agriculture commodity index

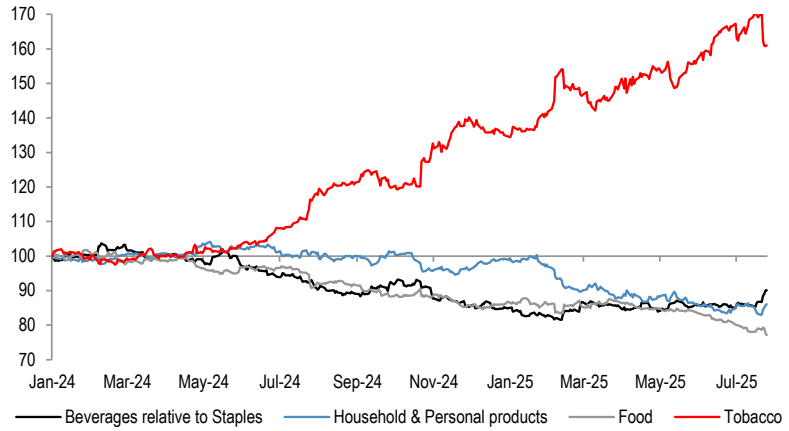


Source: IBES, J.P. Morgan

N Food, Beverage and Tobacco – volumes are expected to keep moving higher

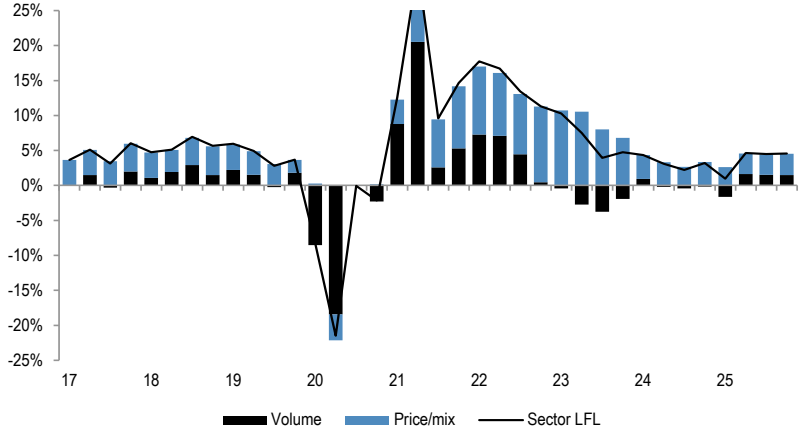
- Within Staples, Tobacco stocks started to do better 2H'24 onwards after a lackluster performance in 1H '24, outperforming the sector by more than 60% since Jan'24. This was supported by the improvement in cigarette market volume growth, newer products generating better earnings, and better cash returns for the sub-sector. Our sector analysts expect the trend to continue this year.
- Volumes for Beverage sub-sector turned positive last year and are projected to keep moving higher.

MSCI Europe Staples sub-sector performance relative



Source: Datastream

European Beverages top-line LFL, volume vs pricing

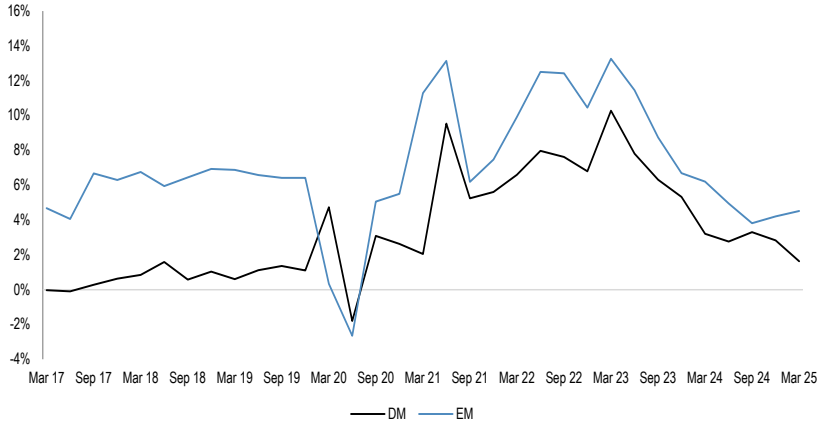


Source: J.P. Morgan European Staples Research, *2025 Q2 - 2025 Q4 are forecasts

N Household and Personal products – volumes expected to stay resilient and declining COGS could drive margin recovery

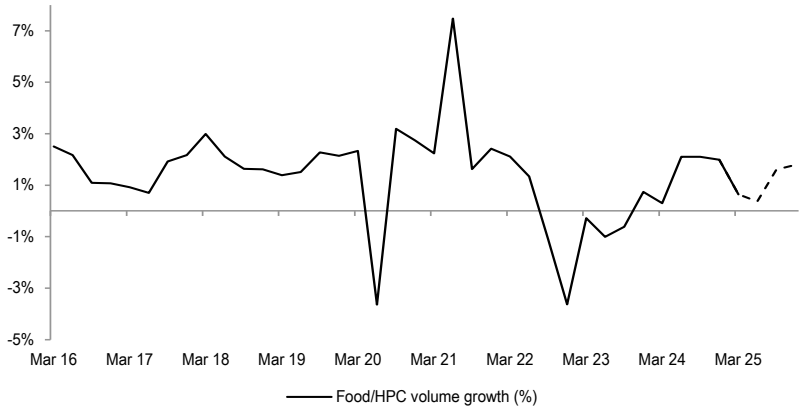
- In Food and HPC, organic sales growth slowed down sharply in1Q25, decreasing from +2.0% y/y in Q4 '25 to +0.6% y/y in Q1. Regionally, DMs saw an important deceleration on US weakness, pricing fading and destocking, EMs have been mixed with China still soft though not worsening.
- Volumes for the food / HPC subsector rebounded last year and are expected to stay resilient this year.
- Our sector analysts are also calling for margins to stabilize as somewhat softer pricing is more than offset by declining COGS.

European Food, HPC organic sales growth DMs vs EMs



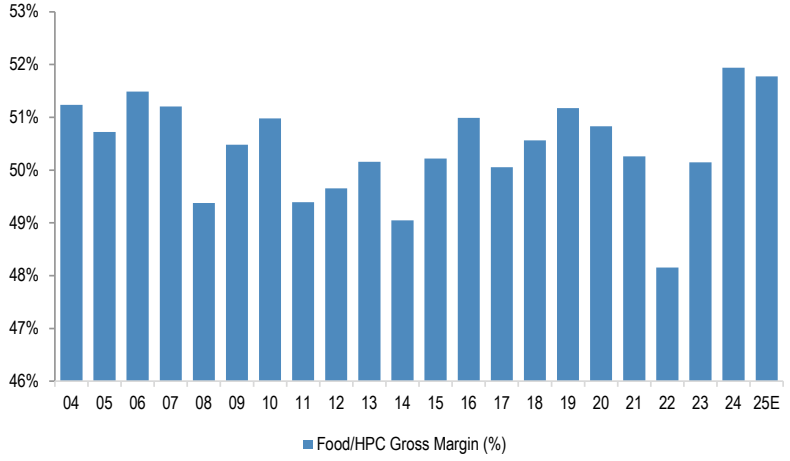
Source: J.P. Morgan European Staples research

European Food/HPC volume growth



Source: J.P. Morgan European Staples research

European Food & HPC Adj. Gross margins



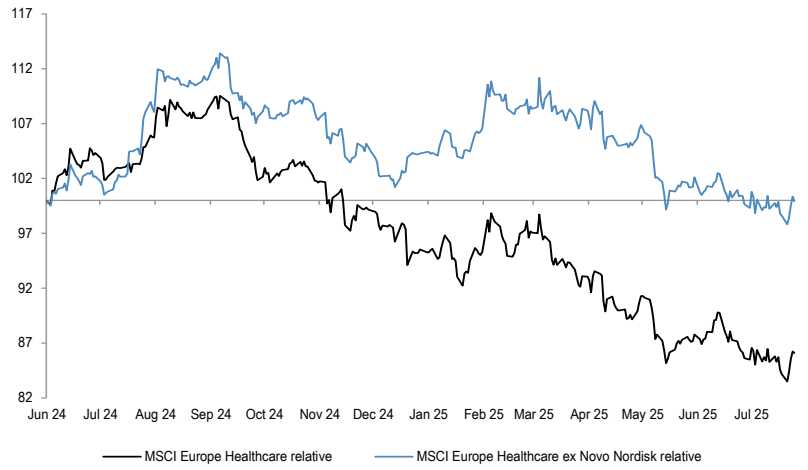
Source: J.P. Morgan European Staples research

HEALTHCARE: OVERWEIGHT

The sector has been dragged lower by Novo, but could be bottoming… valuations look attractive…

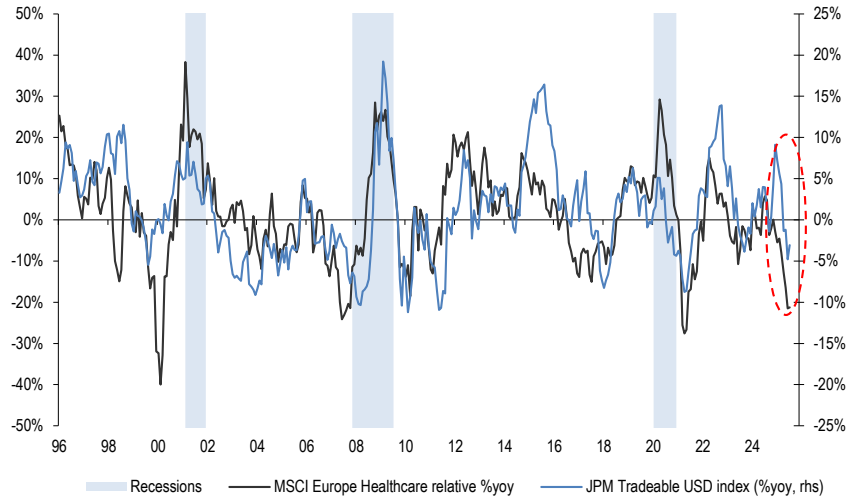
- The Healthcare sector has been under pressure for the last few months, losing most of its 1H'24 relative gains. The weakness can be attributed to the fall in Novo Nordisk, the nomination of RFK Junior as Trump's health secretary. However, our Healthcare team sees limited impact from this on the sector and views the recent weakness as a buying opportunity. They are also upbeat on Novo Nordisk, which accounts for 14% of the overall sector market capitalization in Europe. We also see some of the risks are over-priced in our opinion.
- The sector is a bond proxy and does well when bond yields are moving lower.
- The sector has derated on P/E relative metric and is now on the cheap side of fair value.

European Healthcare relative



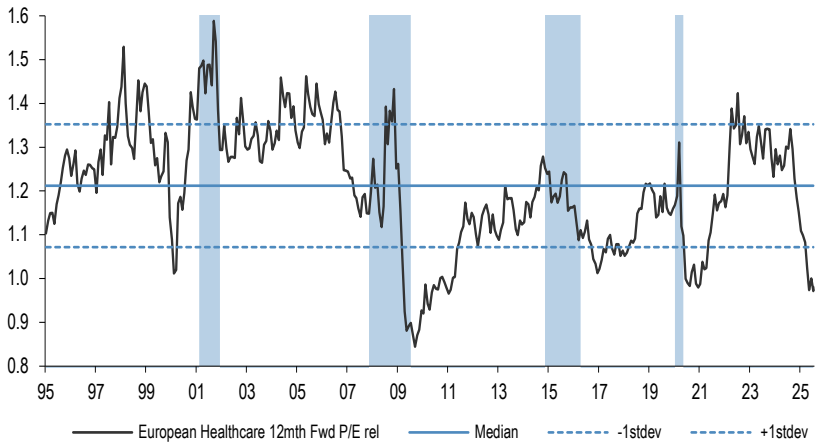
Source: Datastream

MSCI Europe Healthcare relative and tradeable USD



Source: Bloomberg Finance L.P.

European Healthcare 12m Fwd PE relative

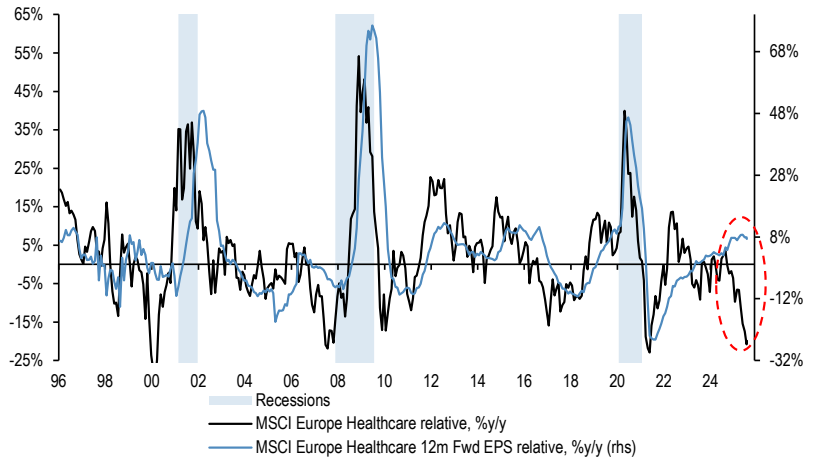


Source: IBES

…earnings have been robust, risk from patent expiry is limited in 2025

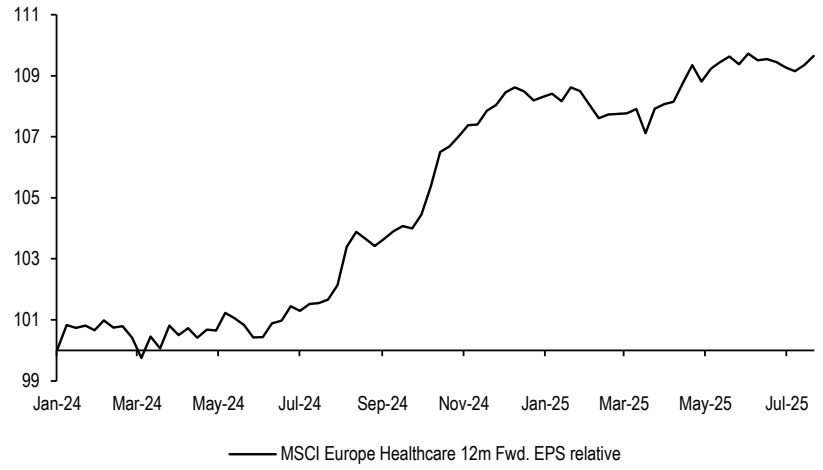
- Being a defensive sector, earnings are better insulated than the overall market during periods of economic weakness.
- The sector de-rated last year despite strong earnings. We believe that once the political noise subsides, the sector could outperform the broader market.
- 2025 should be a good year for the Pharma pipeline with a number of drugs likely to be launched. Any concerns over a patent cliff look premature at this stage.

European Healthcare 12m Fwd EPS and price relative



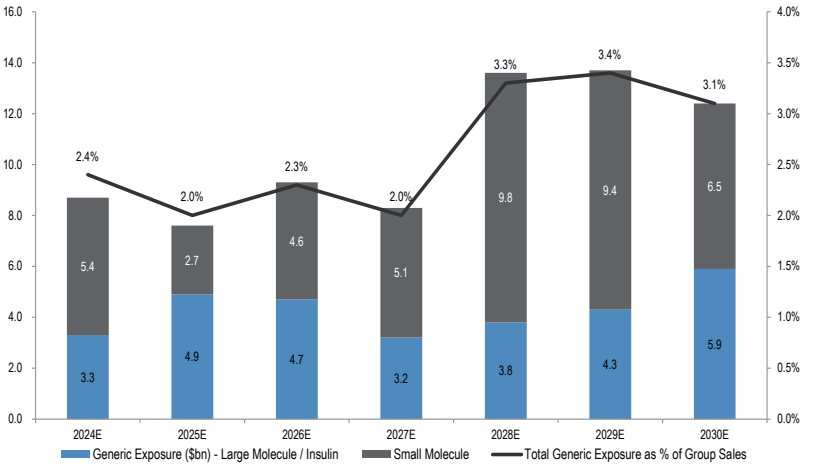
Source: IBES

MSCI Europe Healthcare 12m Fwd. EPS relative



Source: Datastream

Pharma Generics erosion timeline



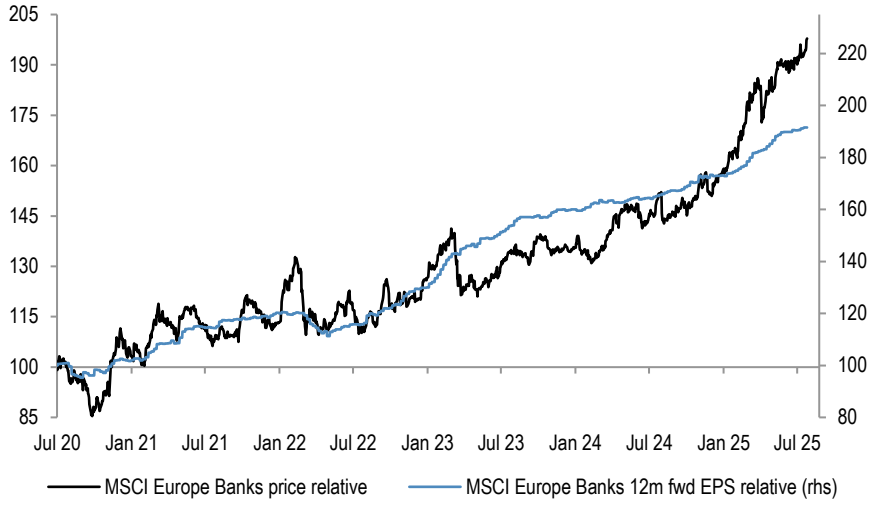
Source: JPM European Healthcare Research

FINANCIALS: NEUTRAL

UW Banks – look tactically stretched and earnings could be peaking…

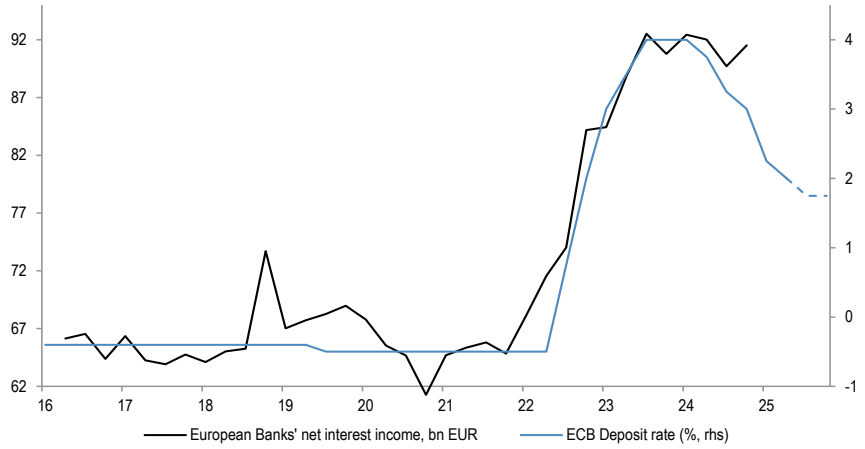
- Banks have strongly outperformed the market in the last few years, supported by accelerating earnings growth, as interest rates increased. We think that tactically Banks appear stretched, and we are concerned about their leverage to credit markets and their traditional high beta properties against the backdrop of worsening overall risk-reward.
- The turn lower in policy rates is still likely to hurt the profit outlook of the sector, in our view. If the ECB were to keep easing it could lead to a reversal in banks' net interest income and profitability.
- The group has seen material improvement in balance sheet quality post GFC, and has the ability to absorb 250bps + of loan loss provisions and CET1 ratio of 14% even under Basel 4.
- Despite the strong performance, Banks remain attractive on most valuation measures.

MSCI Europe Banks price relative and 12m Fwd EPS relative



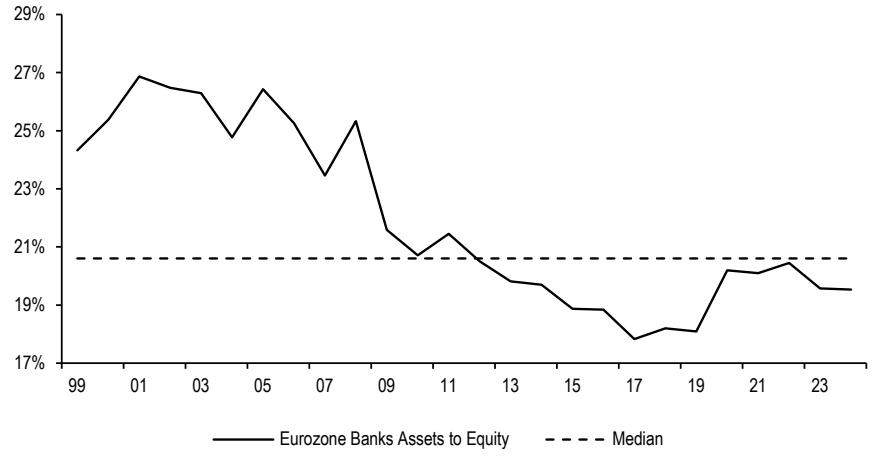
Source: Datastream

Banks Net interest income and ECB deposit rate



Source: J.P. Morgan

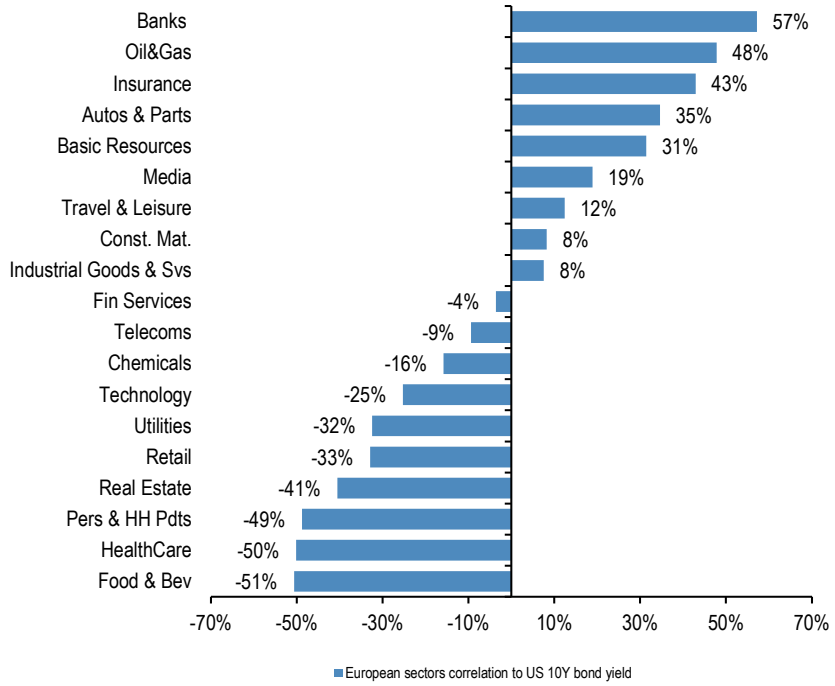
Eurozone Banks Assets to Equity



…bond yields and PMIs direction are key for the potential P/E re-rating of the sector… we think both will move lower…

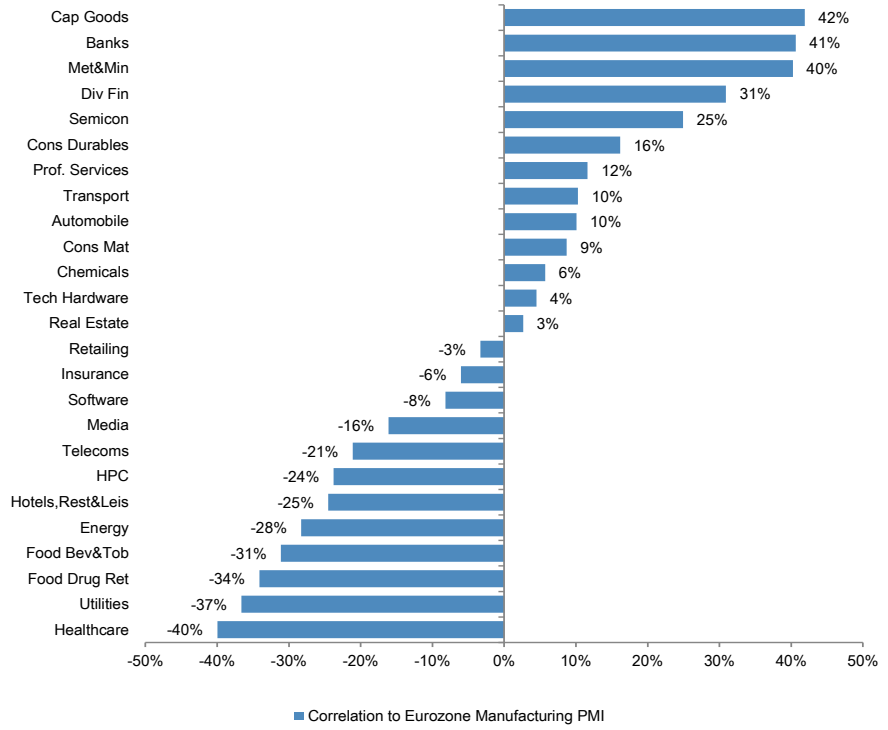
- Banks exhibit the highest sensitivity to the direction of bond yields, out of all sectors. If yields move lower, as we expect, that will be a problem for Banks.
- Similarly, Banks are unlikely to work if PMIs are weakening.

European sectors correlation to bond yields



Source: Bloomberg Finance L.P.

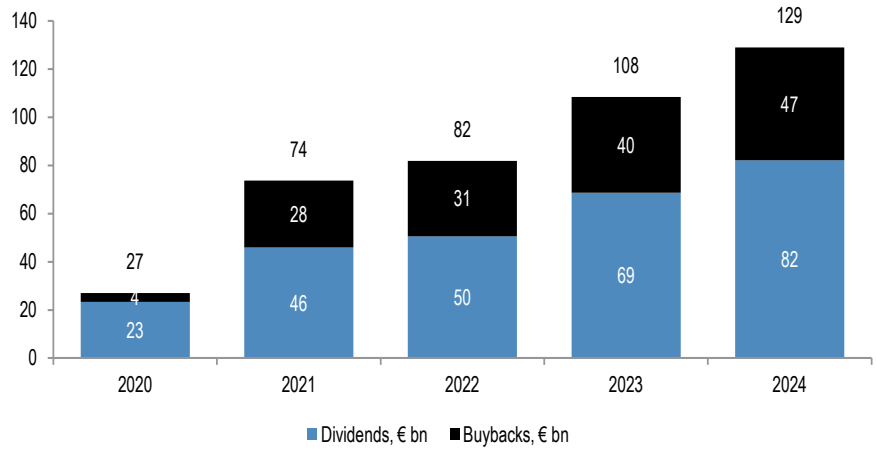
European sectors correlation to Eurozone manufacturing PMI



Source: Bloomberg Finance L.P.

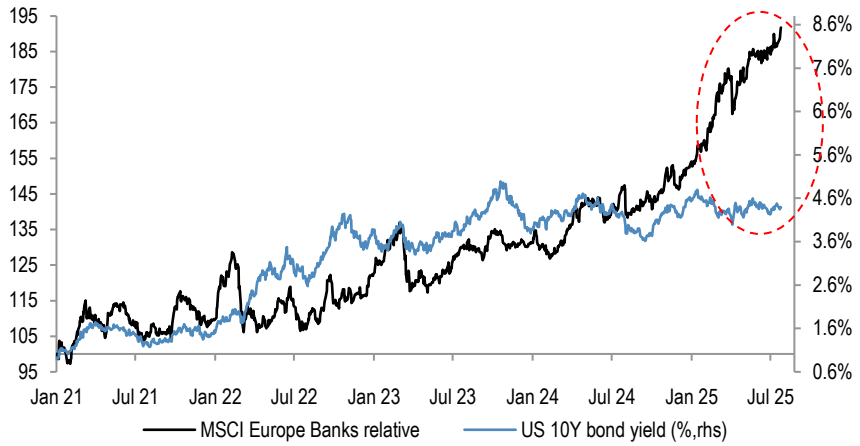
…higher yields can hurt sectors' prospects if credit concerns emerge

Eurozone Banks - Dividends and Buybacks



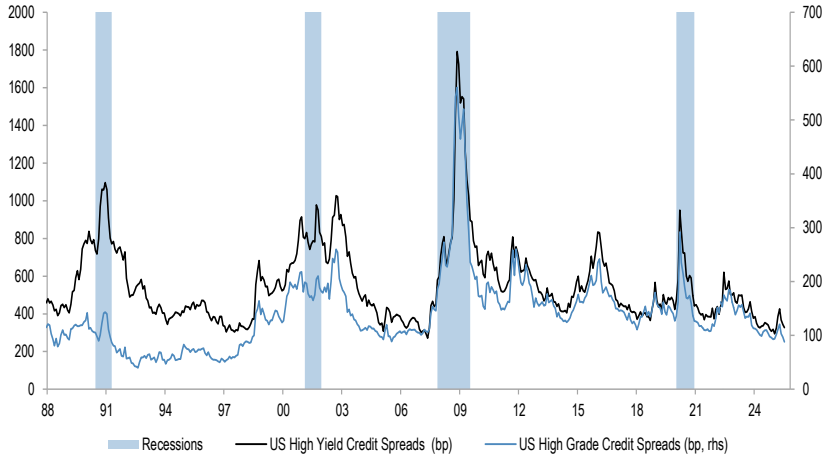
Source: J.P. Morgan European Banks Research, 2020 distribution was affected by dividends ban that was introduced following the start of Covid

MSCI Eurozone Banks relative and US 10Y Bond Yield



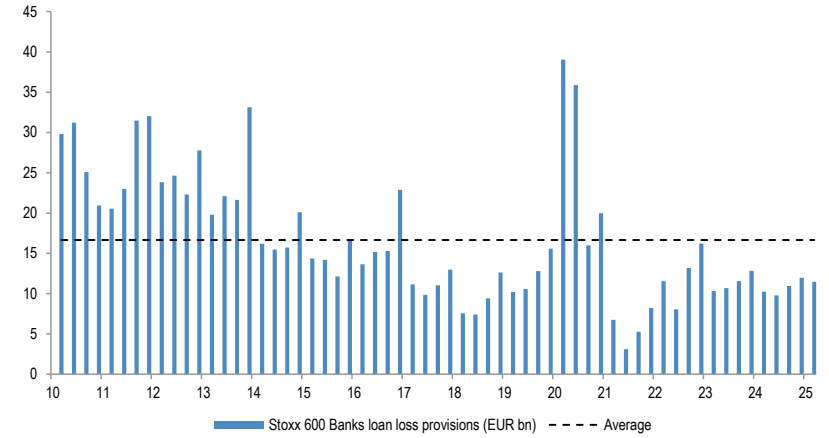
Source: Datastream, Bloomberg Finance L.P.

US HG and HY Credit Spreads



Source: J.P. Morgan Credit Strategy

Stoxx 600 Banks loan loss provisions

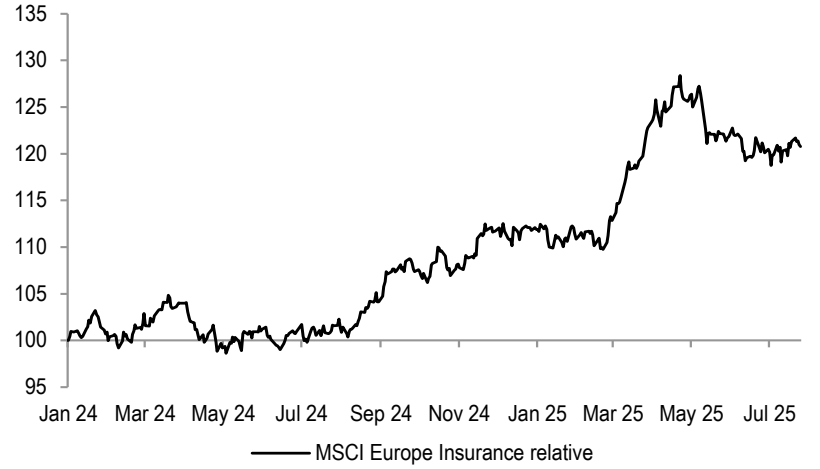


Source: Bloomberg Finance L.P.

OW Insurance - closely linked to credit spreads, strong capital position and pricing are supports…

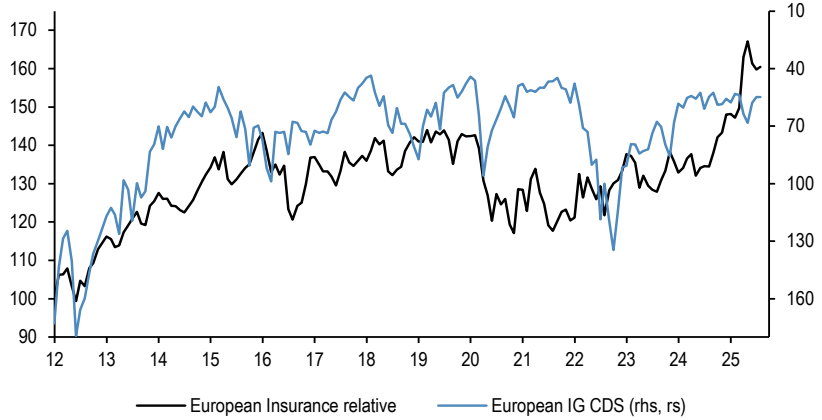
- The Insurance sector is up by more than 20% relative since Jan ’24 and is at risk of profit taking.
- While pricing for the sector has likely peaked, we note that this typically takes 12-18 months to reflect in premiums and margins for the stocks. The performance has been aided by extremely tight credit spreads.
- European Insurers appear very well capitalized.

MSCI Europe Insurance relative



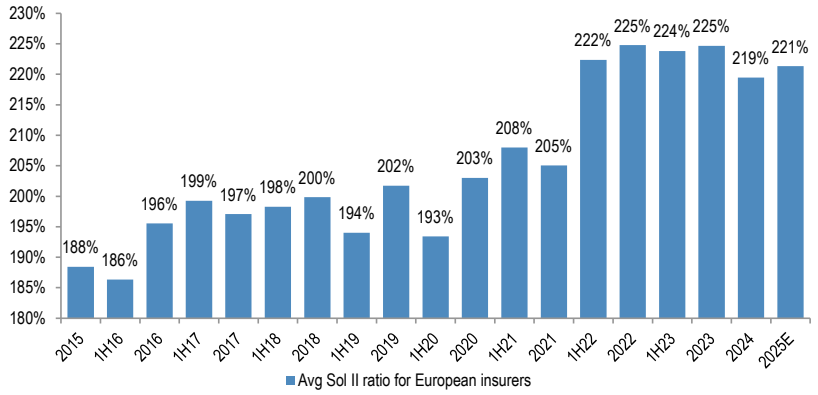
Source: IBES

European Insurance relative and Credit Spreads



Source: Bloomberg Finance L.P.

Avg Sol II ratio for European Insurers

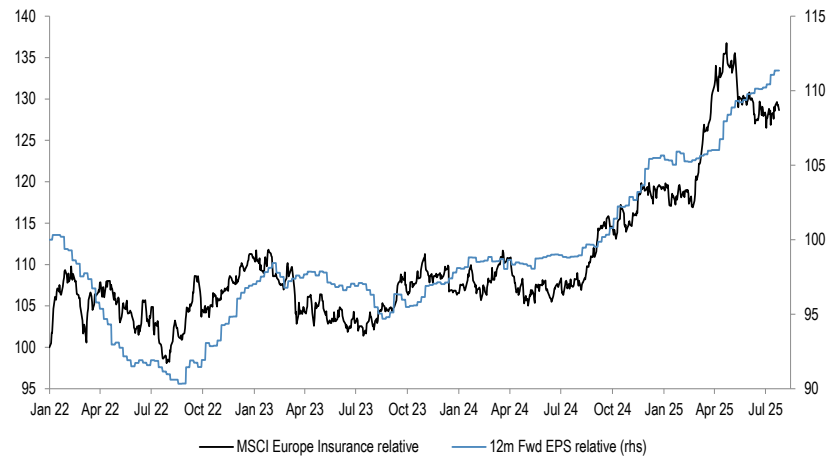


Source: JPM European Insurance Research

…earnings remain supported, prefer Life Insurers compared to Non-Life

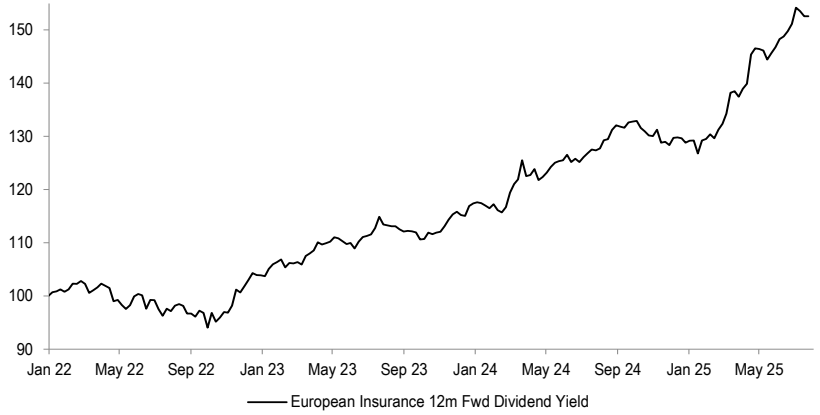
- Earnings for the sector remain well supported by strong growth in premiums, and pricing power is likely to remain high.
- They have also been ramping up shareholder distributions.
- Within the sector, Non-Life names have outperformed Life insurers, driven by strong pricing tailwind. Going forward, our sector analysts believe that Life insurers are likely to trade better, closing some of the performance gap versus Non- Life. The ROE for Life insurers is expected to increase by 8.6% by 2026, compared to just 0.9% increase for Non-Life.

MSCI Europe Insurance - Price and EPS relative



Source: JPM European Insurance Research

European Insurance 12m Fwd. Dividend Yield



Source: IBES

2024-26E ROE for European Insurers

	2024 ROE	2025E ROE	2026E ROE	Change (2026E-2024E)
Composite	17.9%	18.5%	18.8%	0.8%
Benelux	12.1%	15.3%	15.2%	3.1%
Swiss	14.9%	14.9%	15.9%	1.0%
Reinsurance	18.0%	18.2%	17.3%	-0.7%
UK Life (ex-Prudential)	20.5%	25.0%	29.0%	8.6%
UK Non-Life	30.2%	31.0%	31.1%	0.9%
European Insurance	17.9%	18.9%	19.1%	1.3%

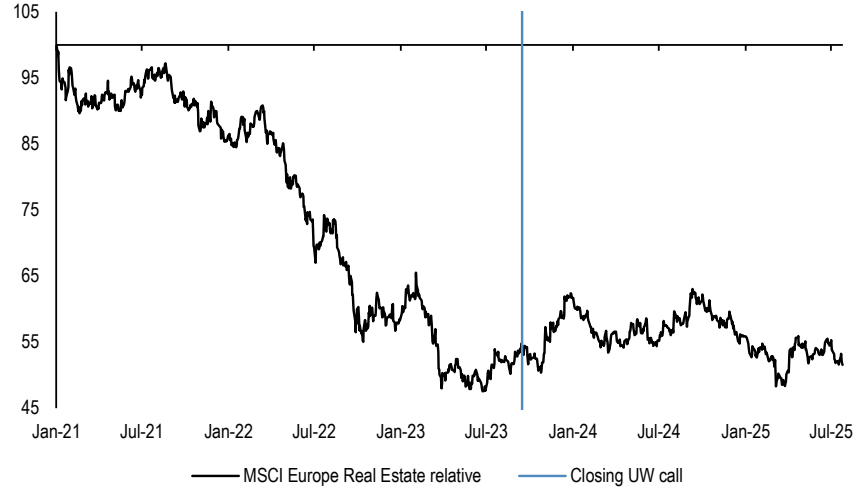
Source: JPM European Insurance Research

REAL ESTATE: OVERWEIGHT

Bond proxy; cheap, more attractive after 2 poor years…

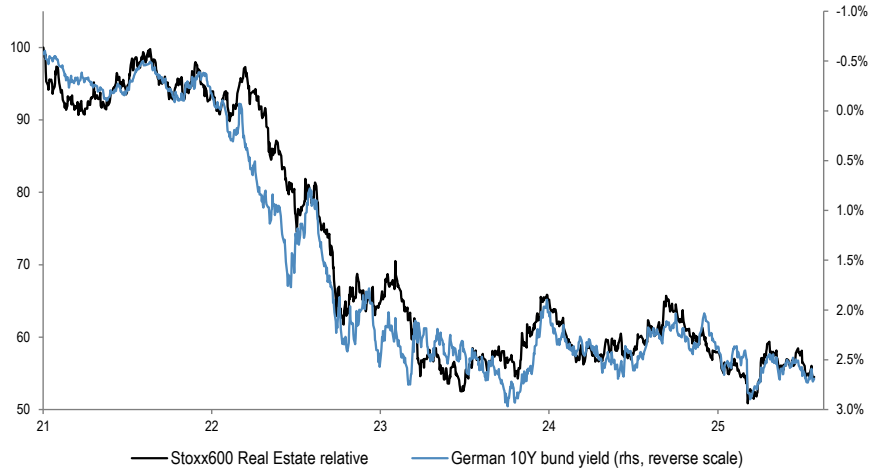
- The Real Estate sector has lost nearly half of its market capitalization relative to the market from Jan ’21 to Oct’ ‘23. Given the weak performance, we double upgraded the sector to OW in Nov ’23. The sector is a bond proxy and does well when yields are moving lower.
- Our sector analysts believe that growth in property values, return of transactions and lower than expected increase in debt costs can support the sector, even if bond yields continue to rise and the outlook shifts to "higher for longer”.
- Valuations for the sector appear supportive. The sector is relatively shielded from tariffs, as it is domestically focused.

European Real Estate price relative



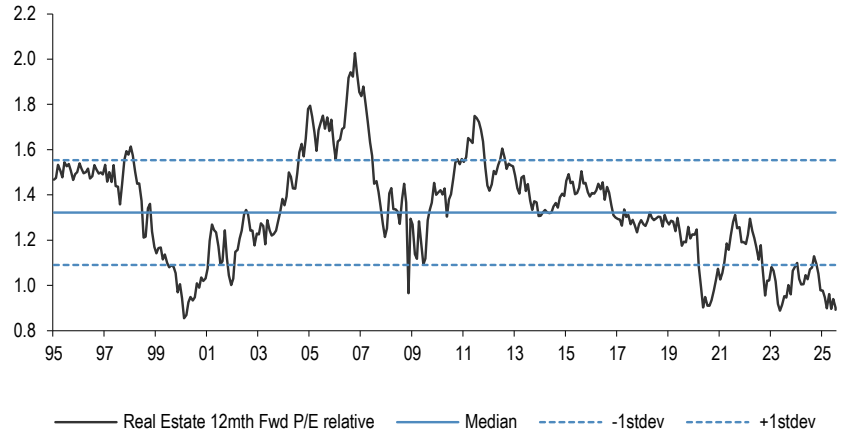
Source: Datastream

Stoxx600 Real Estate price relative and German bond yields



Source: Bloomberg Finance L.P.

MSCI Europe Real Estate 12m Fwd P/E relative

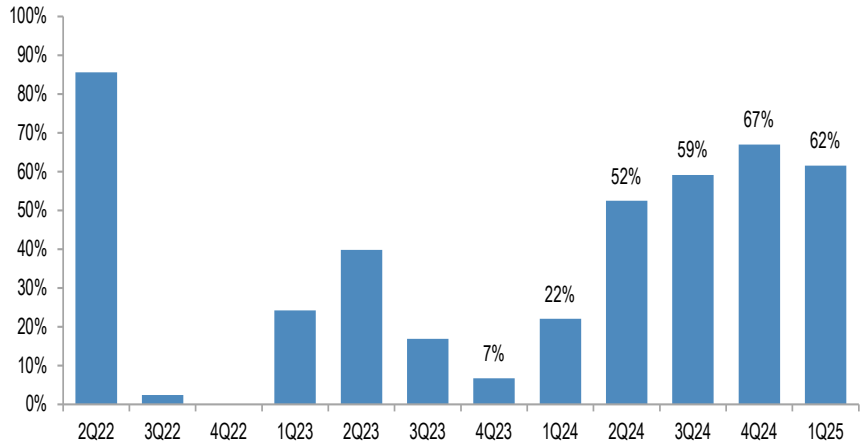


Source: Datastream

…prefer UK Industrials and German Residential segment

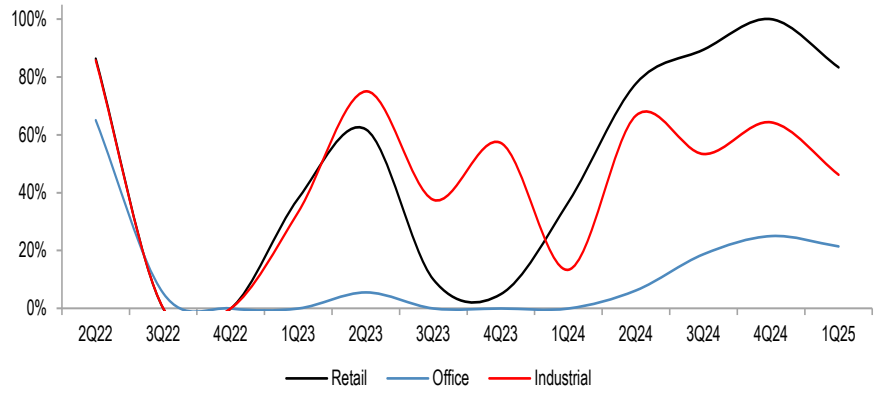
- Sector analysts prefer the UK over Continent names mainly due to lower leverage, and valuations bottoming out.
- Within the UK, they remain bullish on the industrial space. However, political uncertainty and the risk of additional regulations are a concern.
- Within the Continent, our sector analysts remain optimistic on the German residential market. German apartment prices appear to be finding the floor. They are also supported by high level of excess demand, as no new constructions have occurred in the past few years.

Proportion of key Real Estate end markets in UK posting quarterly capital growth



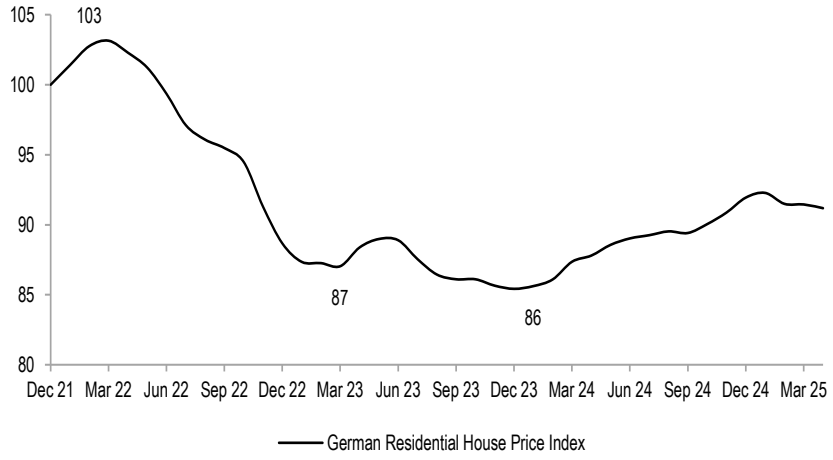
Source: J.P. Morgan European Real Estate Research, MSCI

Proportion of UK Real Estate end market sub-sectors with capital growth



Source: J.P. Morgan European Real Estate Research, MSCI

Existing Apartment German House Price Index



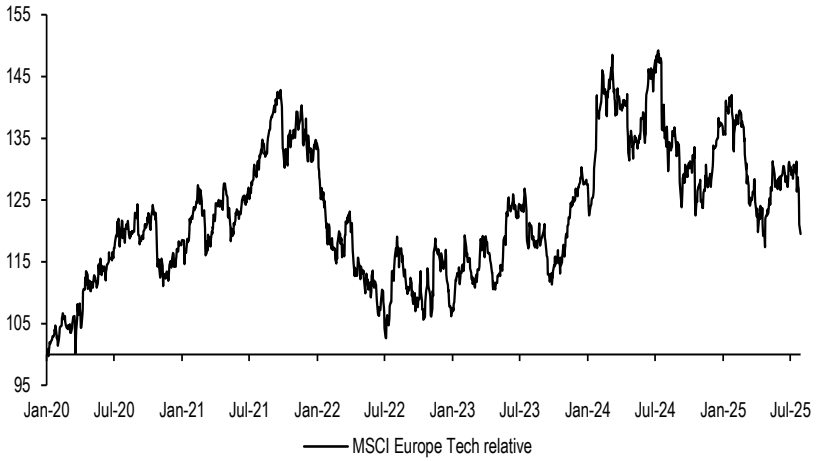
Source: J.P. Morgan European Real Estate Research

TECHNOLOGY: NEUTRAL

We were constructive on Tech since October '22… but the sector is looking stretched, post a strong run; Remain long Software vs Semis

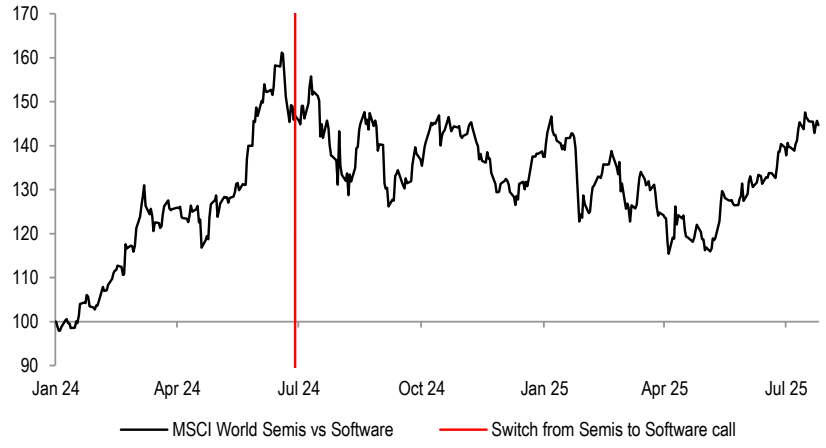
- We have argued in October '22 that one should be buying back the Technology sector, following the sharp bout of prior underperformance.
- Within the sector, we cut our preference for Semis in favour of Software in June '24.
- More broadly, the global Tech sector earnings are likely to peak soon.

MSCI Europe Tech relative



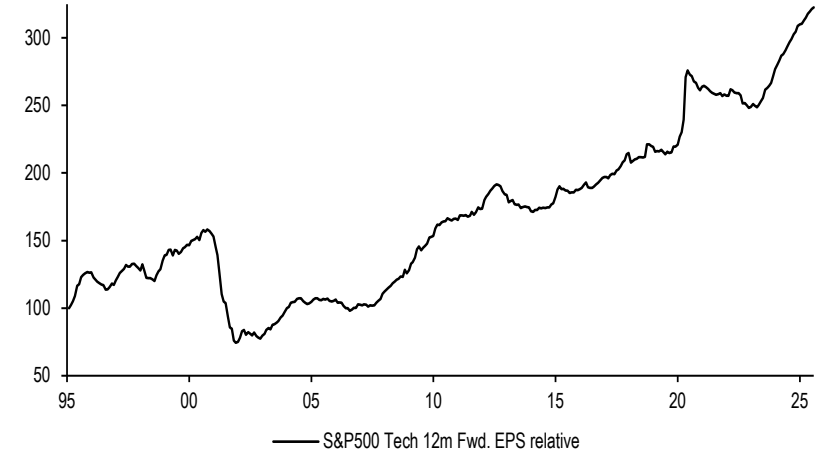
Source: Datastream

MSCI World Semis vs Software



Source: Datastream

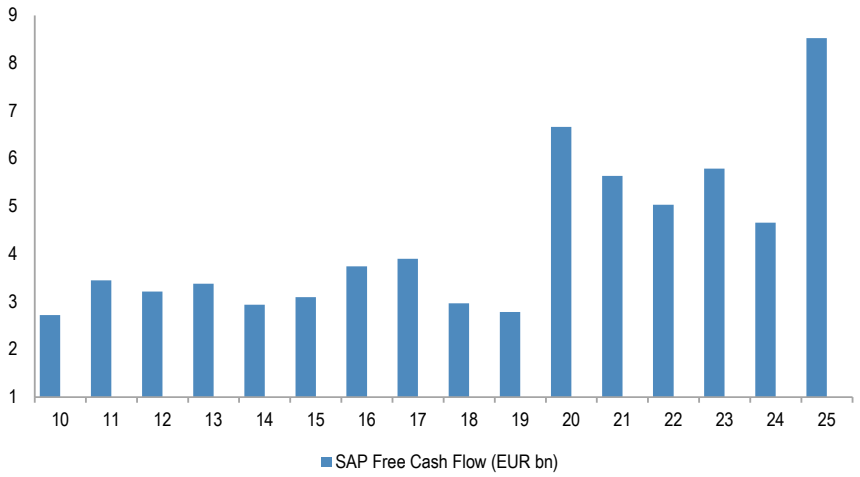
S&P500 Tech 12m Fwd EPS relative



Source: IBES

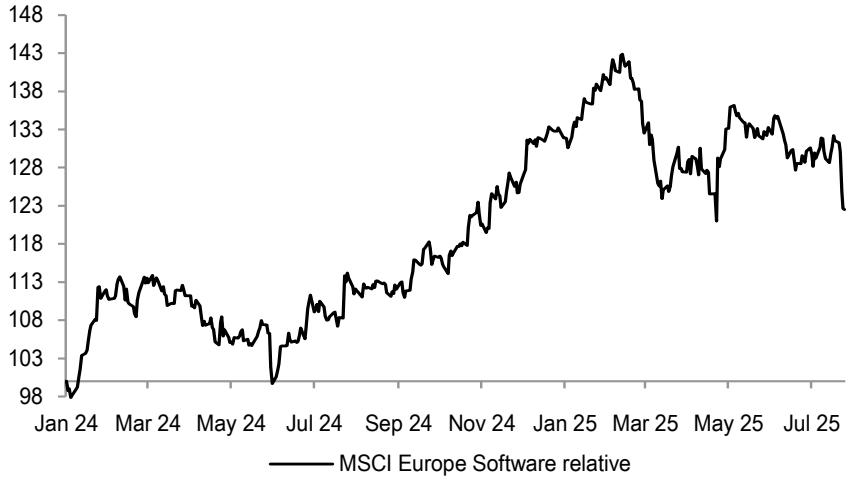
OW Software & Services – could be the next winner of the AI trade

SAP FCF



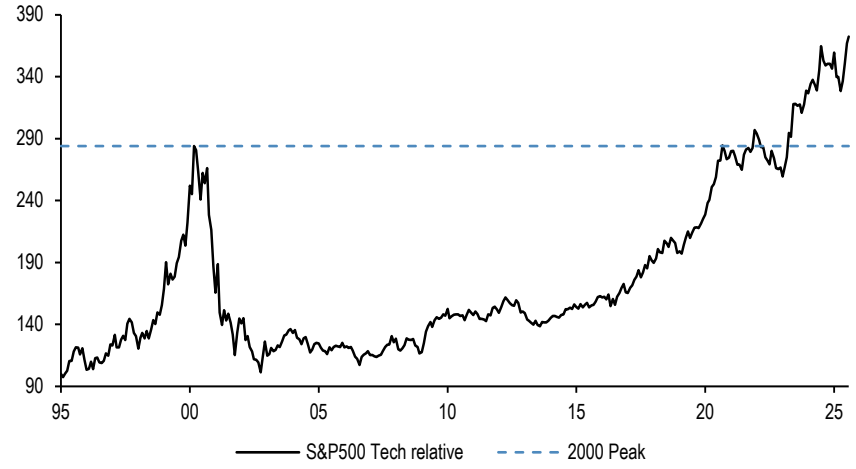
Source: Datastream, IBES,*2025 is forecast

MSCI Europe Software relative

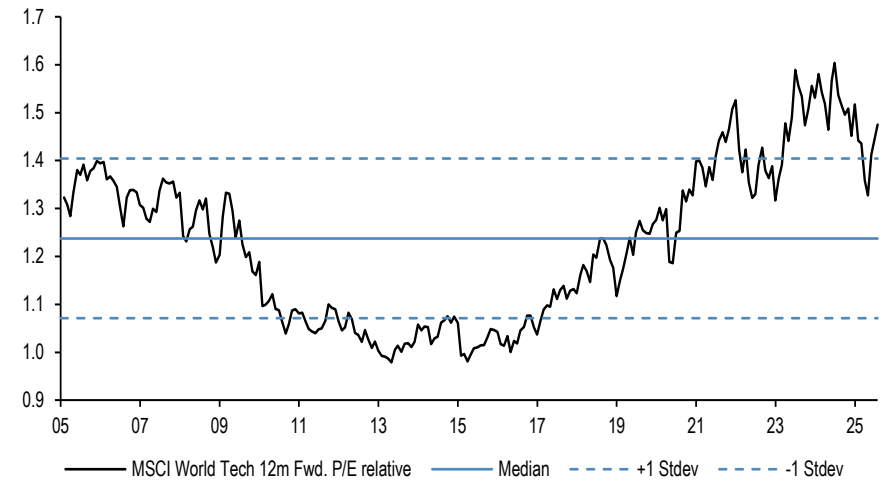


Source: Datastream

S&P500 Tech relative



MSCI World Tech 12m Fwd. P/E relative



Source: IBES

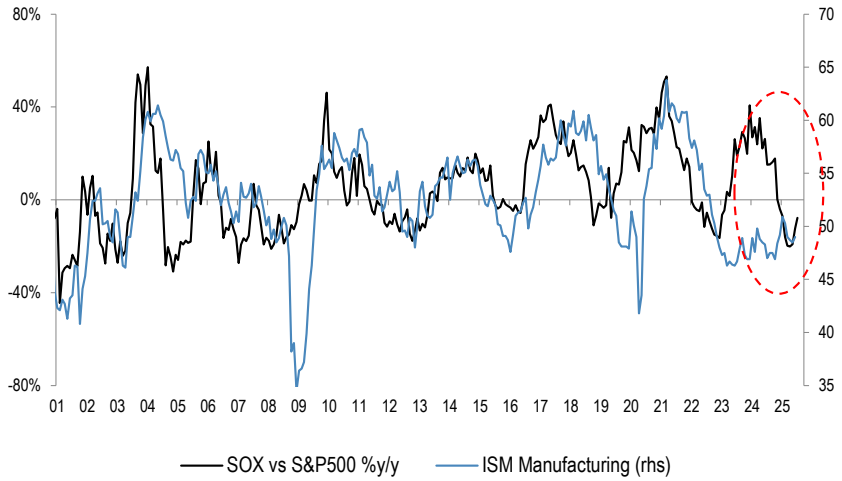
UW Semis – inventory and pricing are likely headwinds

- The 2Q reporting season saw positive surprises on AI related capex commitments and re-assuring guidance from NVDA.
- We note that the gap between ISM and the sector performance has closed.
- In Europe, weakness in the consumer end markets has weighed on the sector recently.

MSCI World Semis relative

Source: Datastream

SOX relative and ISM



Source: Bloomberg Finance L.P.

Key End market for companies

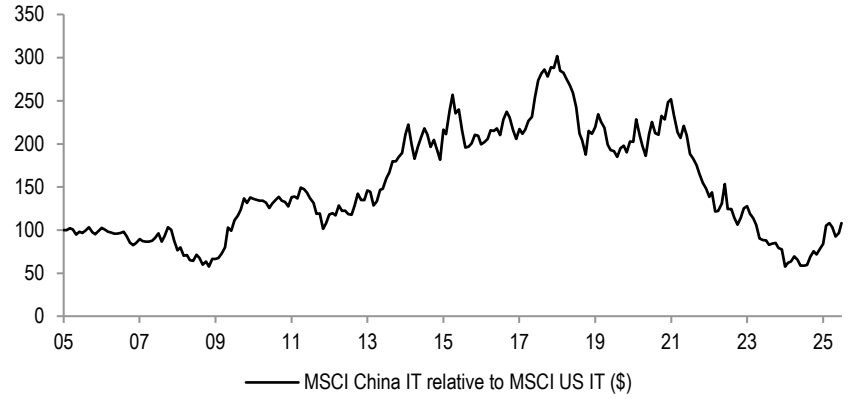
Company	Key end market	Weight in MSCI Europe Semis Index
ASML	Consumer	74%
Infineon	Autos & Industrial	13%
STMicro	Autos & Industrial	6%
Soitec	Consumer	1%
Melexis	Autos	1%

Source: JPM European Technology Research

Within Tech, we are positive on China Tech

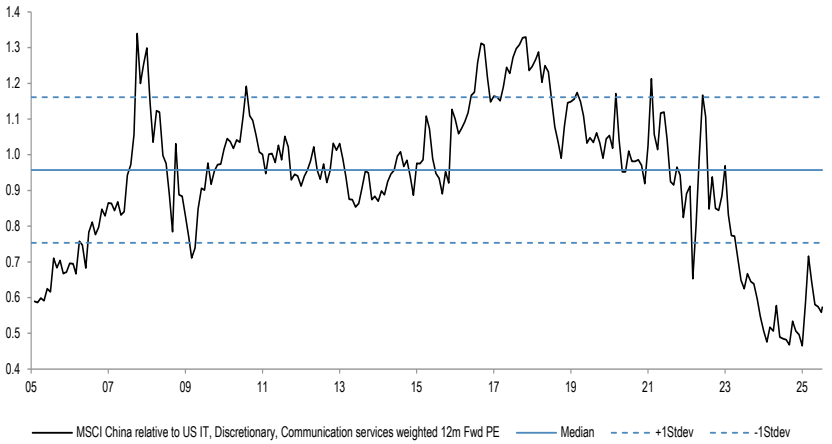
- We have a preference for China Technology stocks. The Chinese Technology sector has significantly lagged the US one, and is trading at attractive valuations, in our view.

MSCI China Tech relative to MSCI US Tech



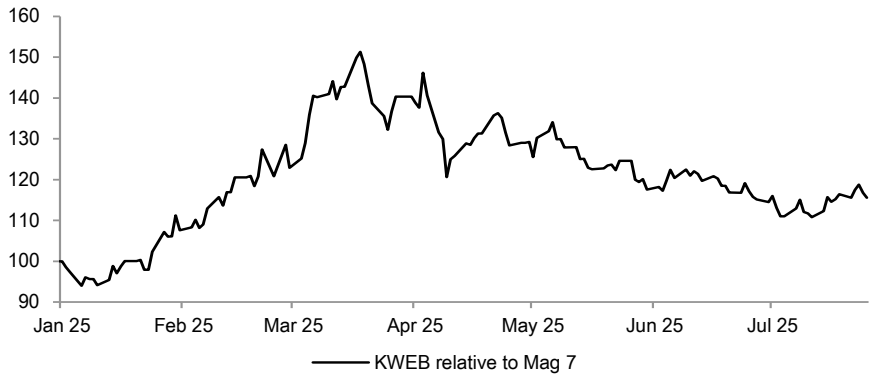
Source: Datastream

MSCI China Tech 12m Fwd. P/E relative to MSCI US Tech



Source: IBES

KWEB ETF relative to Mag 7



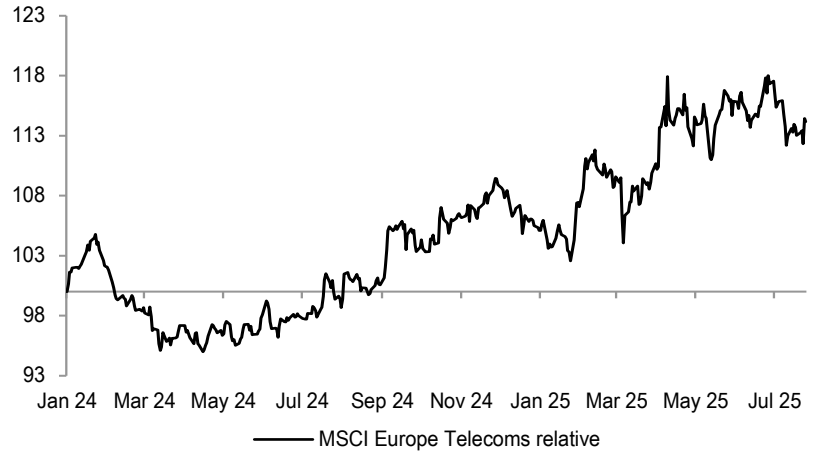
Source: Datastream

COMMUNICATION SERVICES: OVERWEIGHT

OW Telecoms – lower capex requirement should generate better cash flow…

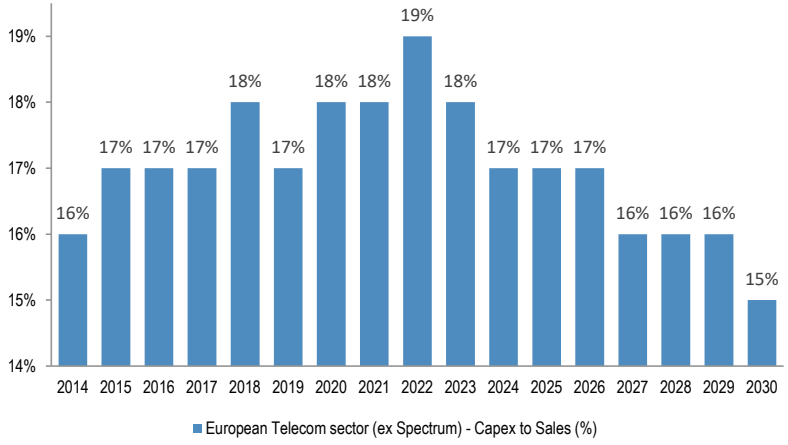
- The sector has outperformed the market by more than 20% from the lows seen in Apr ’24.
- Our sector analysts believe that capital expenditures have peaked and are now on a downward trajectory, with significant reductions visible from 2026 onwards.
- This reduced capex requirement, combined with better pricing, is enabling the sector to generate significantly improved cash flow.
- The EU Telecoms Act is expected to improve cross border consolidation, regulatory reform and is a route to attract private capital.

MSCI Europe Telecoms relative



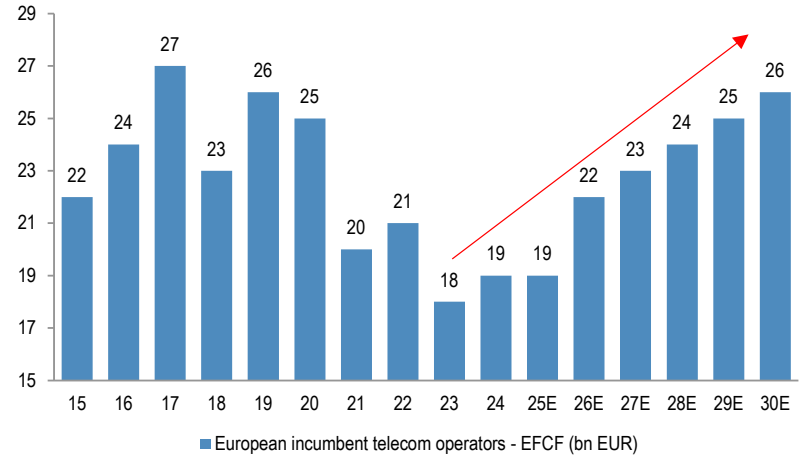
Source: Datastream

European Telecoms (ex Spectrum) Capex to Sales



Source: J.P. Morgan European Telecoms Research

European incumbent Telecom operators - FCF

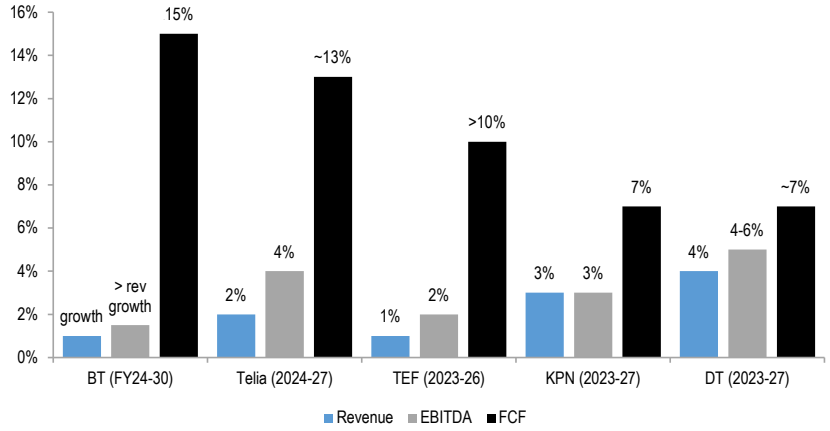


Source: J.P. Morgan European Telecoms Research

…earnings and valuations remain supportive

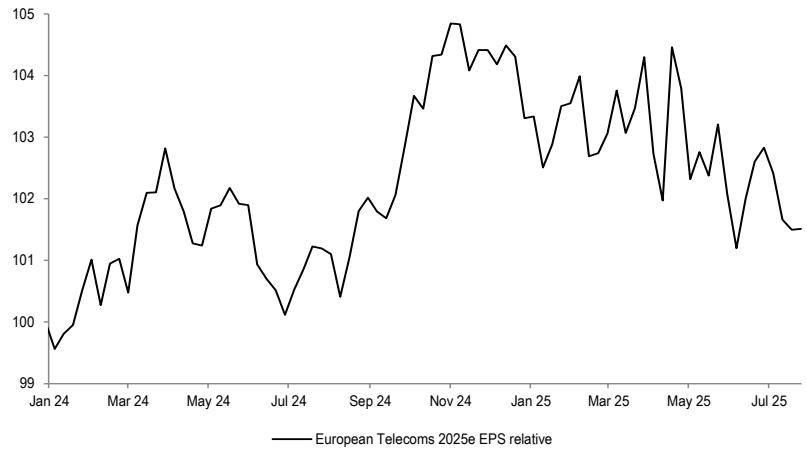
- Unlike the past decade, when telecom companies provided minimal guidance, nearly 80% of companies in the sector now offer mid-term guidance targets.
- We believe that profit margins will continue to move up from here, as pricing has returned to the sector, cash flow trends are strong, and consolidation is likely. As a domestic focused industry, Telecoms are largely insulated from US imposed Tariffs on EU or economic slowdown in China.
- Telecoms remain a consensus UW sector. In our view, the Telecom sector is an undervalued defensive investment.

European Telecoms - Recently issued mid-term guidance targets



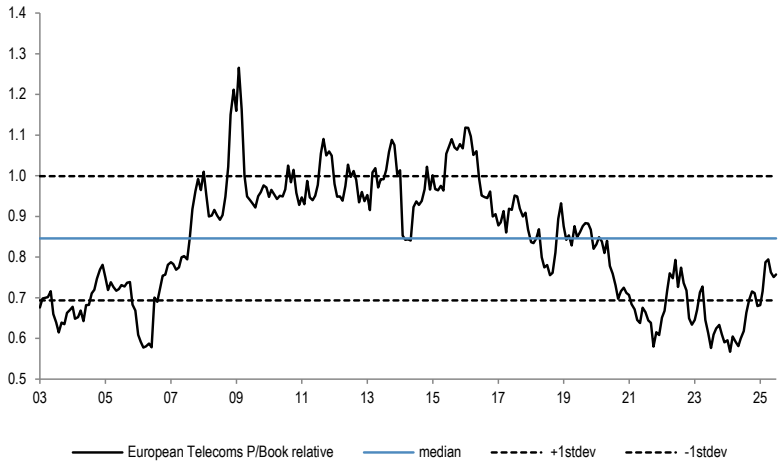
Source: J.P. Morgan Telecoms Research

MSCI Europe Telecoms 2025e EPS relative



Source: IBES

European Telecoms Price to Book relative



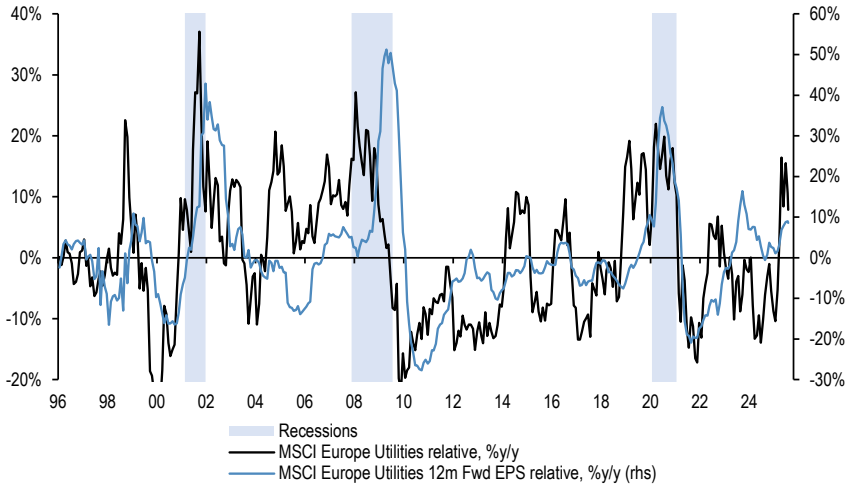
Source: Datastream

UTILITIES: NEUTRAL

Lower power prices could be a headwind for this year

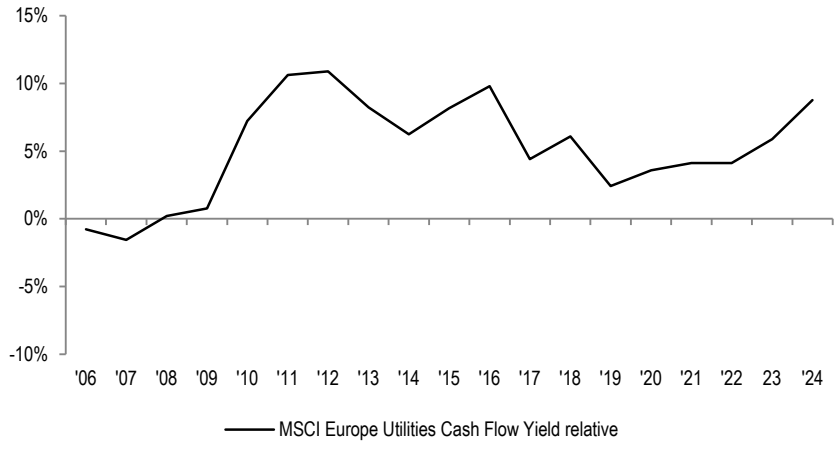
- The utilities sector has performed well in the last six months, outperforming the broader market by more than 10%, supported by strong earnings delivery and the relative resilience of European bond yields.
- Lower gas prices on potentially weaker demand or easing supply concerns if Russia-Ukraine move towards a cease-fire could lead to lower power prices and would be negative for the sector.

MSCI Europe Utilities Price and 12m Fwd EPS relative



Source: Datastream

Utilities Cash Flow yield

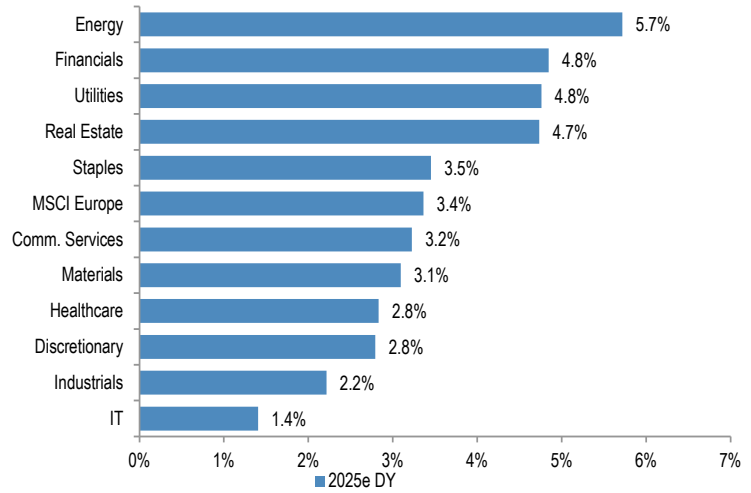


European Utilities P/E relative

Switch to energy transition is likely to drive the sector over the medium term

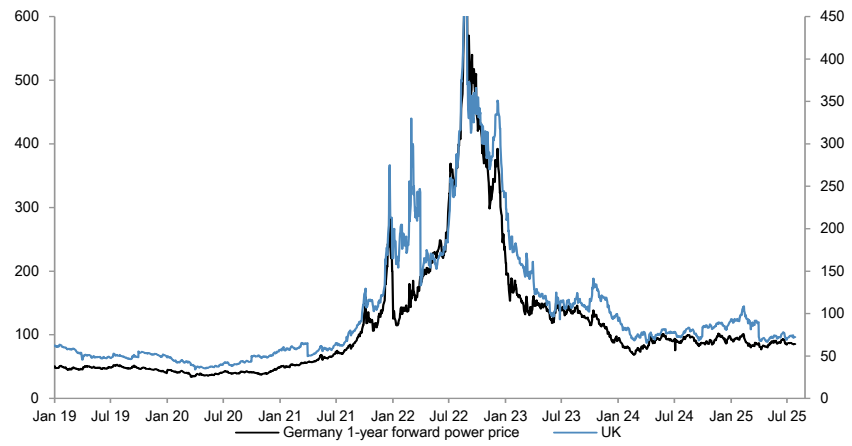
- The energy-transition theme is likely to continue in the background, though it might likely be a bigger support for mature technologies rather than newer technologies like Green Hydro projects that tend to be more expensive.
- Earnings for the sector have been quite resilient despite the fall in power prices. Utility companies sell their power on forward contracts, with 2024 seeing the final leg of power price increases.

MSCI Europe sectors 2025e Dividend Yield



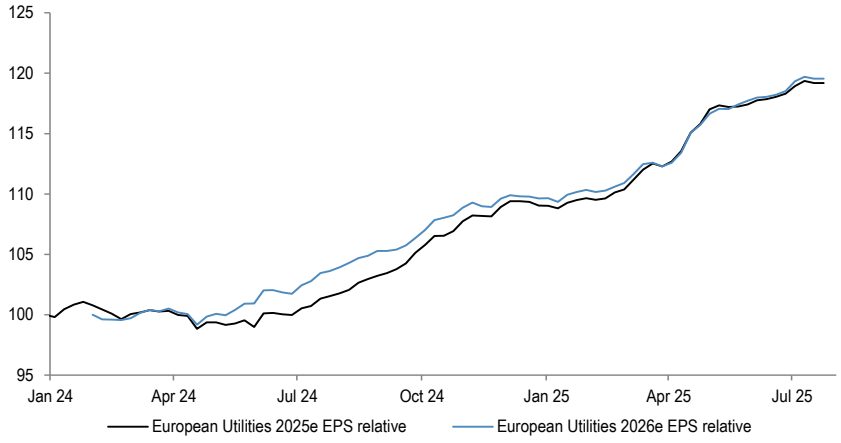
Source: IBES

UK and Germany 1-year power forward



Source: Bloomberg Finance L.P.

European Utilities 2025e and 2026e EPS relative


125 120 115 110 105 100 95
Jan 24 Apr 24 Jul 24 Oct 24 Jan 25 Apr 25 Jul 25
European Utilities 2025e EPS relative
European Utilities 2026e EPS relative

European Top Picks

European Top Picks

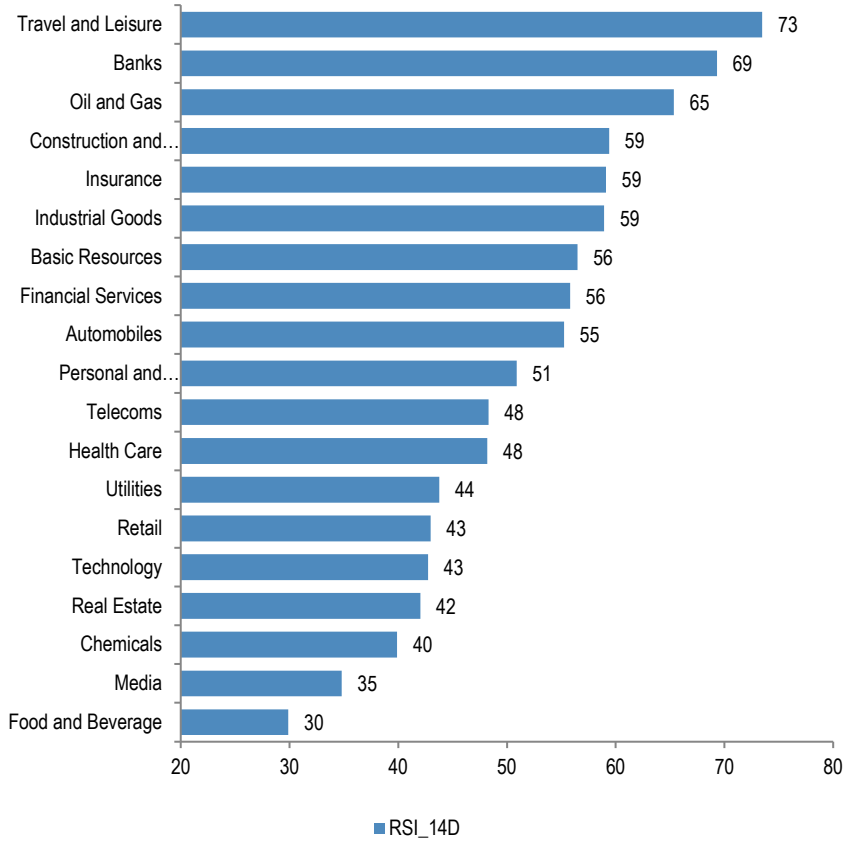
					Market Cap	EPS Growth			Dividend Yield	12m Fwd P/E			Performance	
Name	Ticker	Sector	Price	Currency	(€ Bn)	24e	25e	26e	25e	Current	10Y Median	% Premium	-3m	-12m
AIR LIQUIDE SA	AI FP	Materials	175	E	101.4	20%	4%	12%	12.8%	24.5	22.1	11%	-2%	6%
AKZO NOBEL N.V.	AKZA NA	Materials	57	E	9.8	26%	8%	11%	3.6%	12.8	17.2	-26%	3%	0%
ALSTOM	ALO FP	Industrials	21	E	9.7	-86%	958%	42%	0.0%	12.4	17.4	-29%	1%	16%
ANTOFAGASTA PLC	ANTO LN	Materials	1986	£	22.6	-13%	47%	13%	3.5%	26.8	20.9	28%	17%	2%
ASML HOLDING NV	ASML NA	IT	623	E	245.4	-3%	23%	6%	1.5%	25.3	28.0	-10%	6%	-23%
ASTRAZENECA PLC	AZN LN	Health Care	11158	£	200.1	13%	10%	13%	2.1%	15.3	17.8	-14%	5%	-10%
AXA SA	CS FP	Financials	42	E	94.1	8%	12%	3%	0.0%	10.4	8.3	25%	3%	32%
BABCOCK INTL GROUP PLC	BAB LN	Industrials	1018	£	5.9	73%	64%	8%	3.9%	18.5	9.0	106%	26%	93%
BARCLAYS PLC	BARC LN	Financials	371	£	60.6	22%	8%	23%	3.7%	7.9	7.3	8%	25%	59%
BASF SE	BAS GR	Materials	44	E	39.5	26%	-14%	19%	1.5%	13.1	12.8	3%	-3%	2%
COMPAGNIE DE SAINT GOBAIN	SGO FP	Industrials	101	E	50.5	8%	-2%	8%	2.7%	14.4	11.9	20%	5%	30%
DANONE	BN FP	Staples	66	E	45.2	3%	2%	7%	0.5%	17.2	17.0	1%	-12%	13%
DEUTSCHE BANK AG-REGISTERED	DBK GR	Financials	29	E	55.9	17%	8%	12%	0.6%	9.3	9.0	3%	21%	100%
DEUTSCHE TELEKOM AG-REG	DTE GR	Telecoms	32	E	158.0	19%	4%	13%	1.0%	15.0	13.9	8%	2%	31%
DHL GROUP	DHL GR	Industrials	40	E	47.9	-8%	7%	11%	2.9%	12.4	13.0	-5%	7%	-2%
DSV A/S	DSV DC	Industrials	1549	DK	49.9	-12%	8%	26%	3.7%	24.2	22.5	8%	20%	24%
EIFFAGE	FGR FP	Industrials	118	E	11.6	4%	-6%	17%	0.0%	10.4	11.6	-10%	0%	29%
EVONIK INDUSTRIES AG	EVK GR	Materials	18	E	8.3	111%	-10%	13%	0.4%	11.0	13.0	-15%	-10%	-5%
FLUTTER ENTERTAINMENT PLC-DI	FLTR LN	Discretionary	22620	£	46.2	107%	11%	50%	2.4%	28.9	25.6	13%	28%	50%
HEIDELBERG MATERIALS AG	HEI GR	Materials	196	E	35.1	-5%	28%	12%	2.6%	14.5	9.7	51%	13%	98%
INTESA SANPAOLO	ISP IM	Financials	5	E	92.5	14%	11%	5%	1.2%	9.3	9.5	-3%	9%	42%
MERLIN PROPERTIES SOCIMI SA	MRL SM	Real Estate	12	E	6.7	-8%	-3%	3%	0.9%	21.4	17.1	25%	20%	12%
NATIONAL GRID PLC	NG/ LN	Utilities	1044	£	59.9	32%	-5%	6%	1.9%	12.9	14.7	-12%	-3%	7%
NATWEST GROUP PLC	NWG LN	Financials	525	£	49.2	10%	4%	12%	0.7%	8.3	9.0	-8%	8%	41%
ORANGE	ORA FP	Telecoms	13	E	35.4	-4%	6%	41%	0.3%	12.4	10.7	16%	6%	30%
PRUDENTIAL PLC	PRU LN	Financials	942	£	28.1	5%	16%	14%	2.1%	11.2	10.8	4%	17%	35%
RHEINMETALL AG	RHM GR	Industrials	1736	E	80.1	23%	82%	47%	1.0%	47.1	14.3	228%	20%	251%
RIO TINTO PLC	RIO LN	Materials	4649	£	91.6	-8%	-8%	-2%	3.2%	10.2	9.8	4%	2%	-7%
ROLLS-ROYCE HOLDINGS PLC	RR/ LN	Industrials	1006	£	98.2	47%	19%	21%	5.7%	37.4	25.6	46%	34%	129%
RWE AG	RWE GR	Utilities	36	E	27.1	-49%	-32%	15%	1.0%	15.8	13.9	14%	7%	7%
RYANAIR HOLDINGS PLC	RYA ID	Industrials	26	E	27.4	33%	-13%	41%	4.8%	12.0	12.3	-3%	25%	72%
SAP SE	SAP GR	IT	248	E	307.1	-11%	35%	19%	1.5%	36.9	21.3	73%	-4%	28%
SCHNEIDER ELECTRIC SE	SU FP	Industrials	238	E	137.5	15%	7%	13%	0.0%	24.8	17.6	41%	17%	9%
SIEMENS AG-REG	SIE GR	Industrials	228	E	182.1	5%	14%	-4%	0.6%	19.9	14.6	37%	13%	35%
SOCIETE GENERALE SA	GLE FP	Financials	52	E	40.6	102%	34%	17%	0.1%	8.0	7.4	8%	18%	118%
UBS GROUP AG-REG	UBSG SW	Financials	31	SF	110.0	-	43%	43%	3.7%	14.1	10.4	36%	23%	15%
UNILEVER PLC	ULVR LN	Staples	4432	£	125.7	15%	-1%	5%	2.4%	16.8	18.8	-11%	-5%	-6%
UNIVERSAL MUSIC GROUP NV	UMG NA	Telecoms	25	E	46.6	9%	4%	14%	1.5%	23.5	25.5	-8%	2%	20%
VINCI SA	DG FP	Industrials	125	E	72.9	3%	2%	13%	4.9%	13.6	15.0	-10%	3%	19%
VOLVO AB-B SHS	VOLVB SS	Industrials	281	SK	51.8	-17%	-18%	17%	5.6%	12.5	11.8	6%	6%	4%

Source: Bloomberg Finance L.P, J.P. Morgan, Datastream, IBES, COB 29th July 2025

Technicals

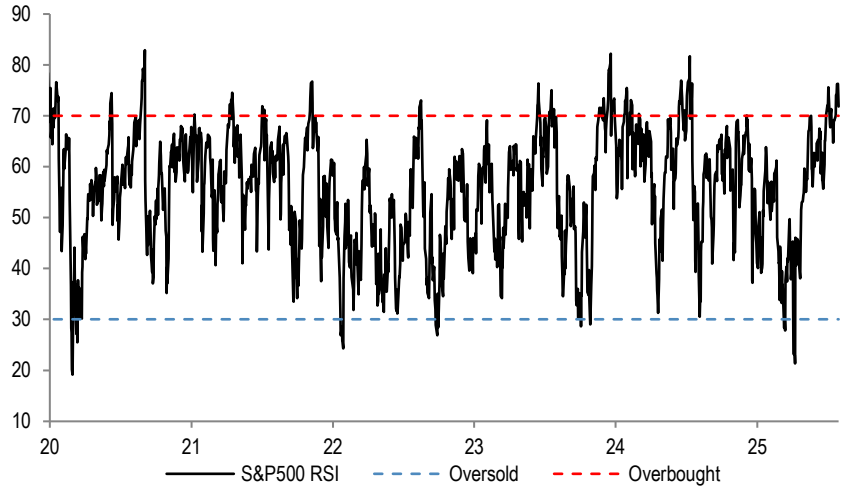
SPX RSI is at overbought levels

SXXP sectors RSI



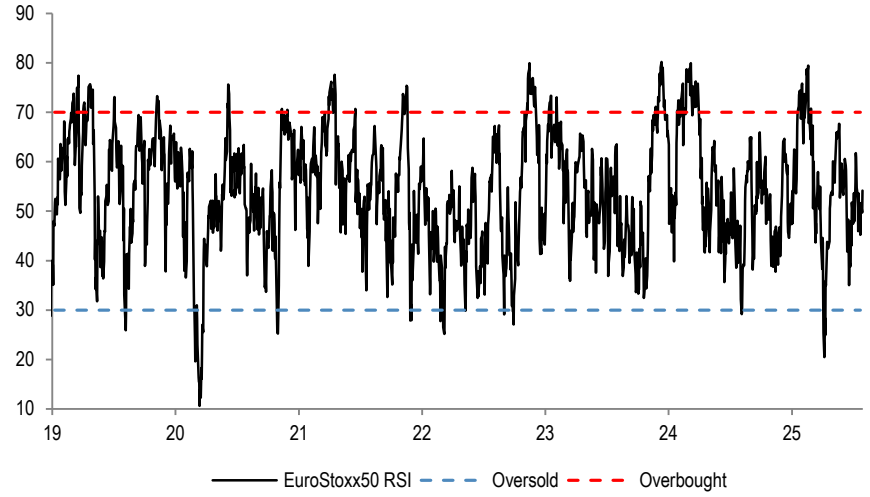
Source: Bloomberg Finance L.P

S&P500 RSI



Source: Bloomberg Finance L.P

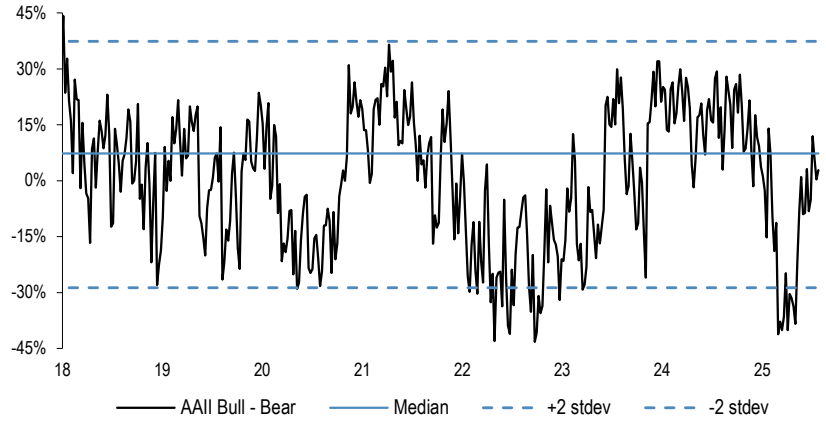
SX5E RSI



Source: Bloomberg Finance L.P

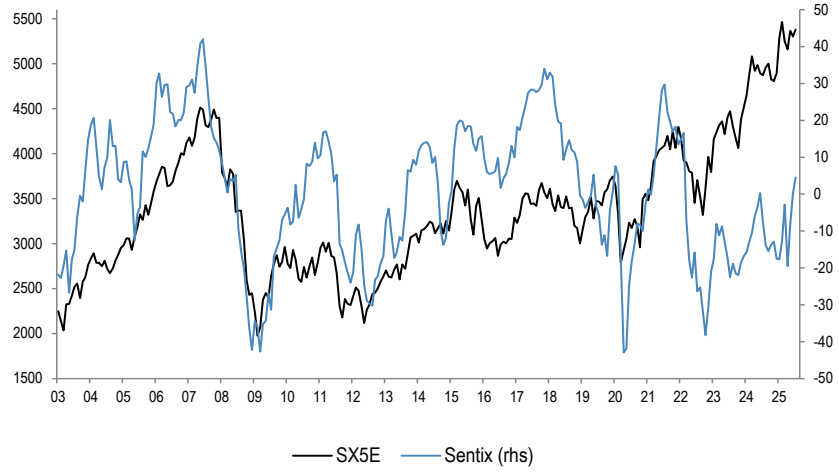
Flows into International equities are still weak

AAII Bull-Bear



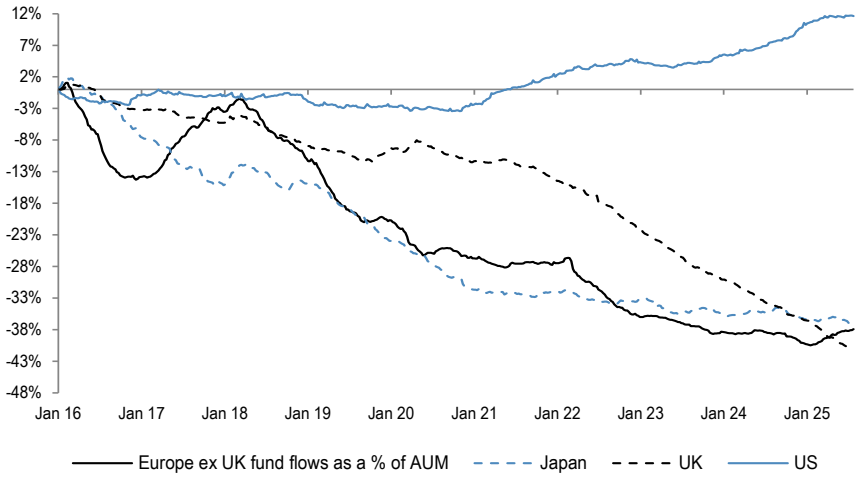
Source: Bloomberg Finance L.P

Sentix sentiment index vs SX5E



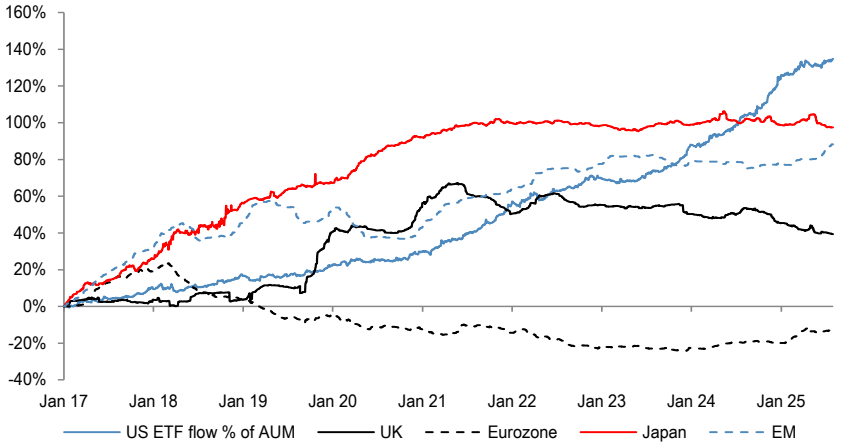
Source: Bloomberg Finance L.P

Cumulative fund flows into regional funds as % of AUM



Source: EPFR, as of 23rd Jul, 2025. Japan includes Non-ETF purchases only

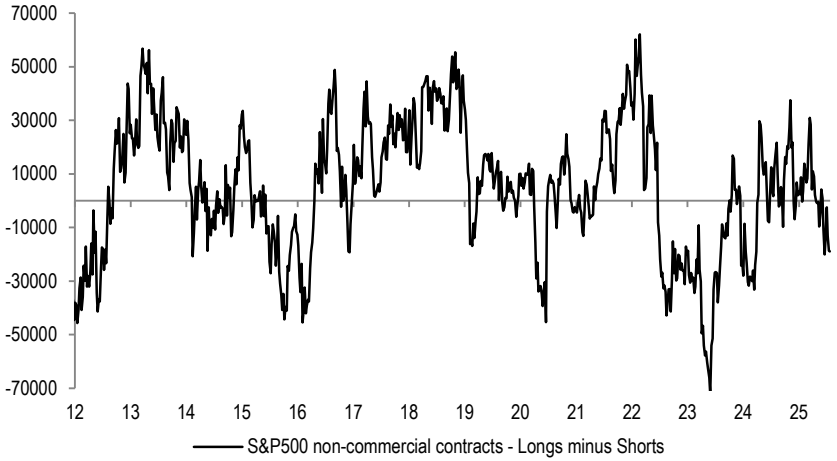
Cumulative fund flows into regional equity ETFs as % of AUM



Source: Bloomberg Finance L.P. *Based on the 25 biggest ETF's with a mandate to invest in that particular region. Japan includes BoJ purchases

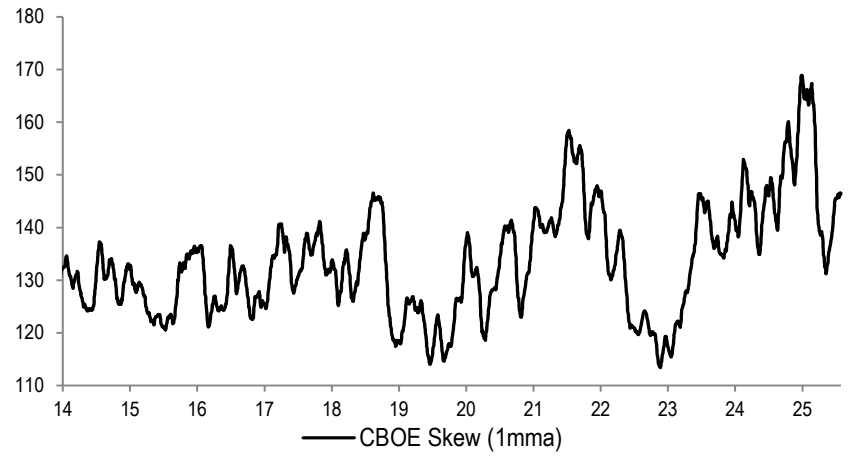
Seasonals are mixed in the summer months

Speculative positions on S&P500 futures contracts



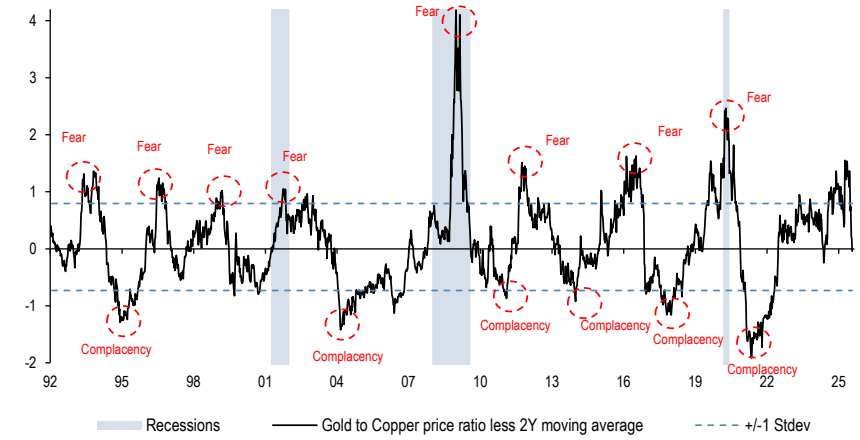
Source: Bloomberg Finance L.P

Equity skew



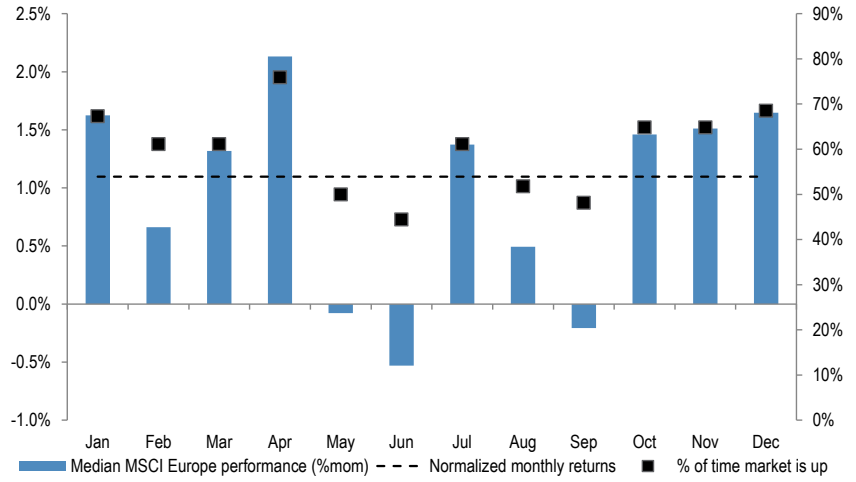
Source: Bloomberg Finance L.P

Gold-to-Copper price ratio



Source: Bloomberg Finance L.P.

Seasonality* of MSCI Europe performance



Source: Datastream, *Median since 1970

Equity Flows Snapshot

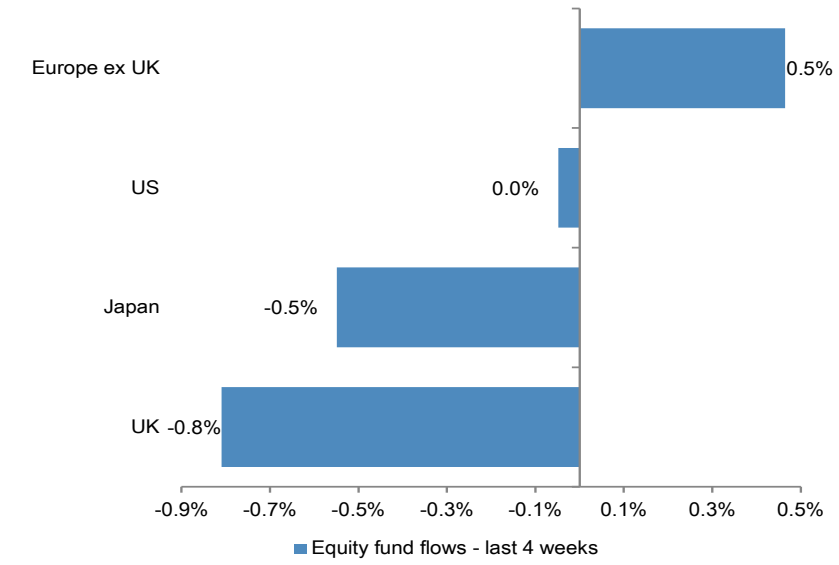
DM Equity Fund Flows Summary

Regional equity fund flows

	$mn					% AUM				
	1w	1m	3m	YTD	12m	1w	1m	3m	YTD	12m
Europe ex UK	904	1,873	5,138	14,403	4,585	0.2%	0.5%	1.4%	4.5%	1.3%
UK	-581	-2,390	-9,027	-21,152	-32,330	-0.2%	-0.8%	-3.2%	-7.8%	-11.3%
US	-7,687	-6,248	3,298	158,536	477,143	-0.1%	0.0%	0.0%	1.3%	4.2%
Japan	-712	-4,898	-14,172	-2,216	-6,926	-0.1%	-0.5%	-1.7%	-0.3%	-0.8%

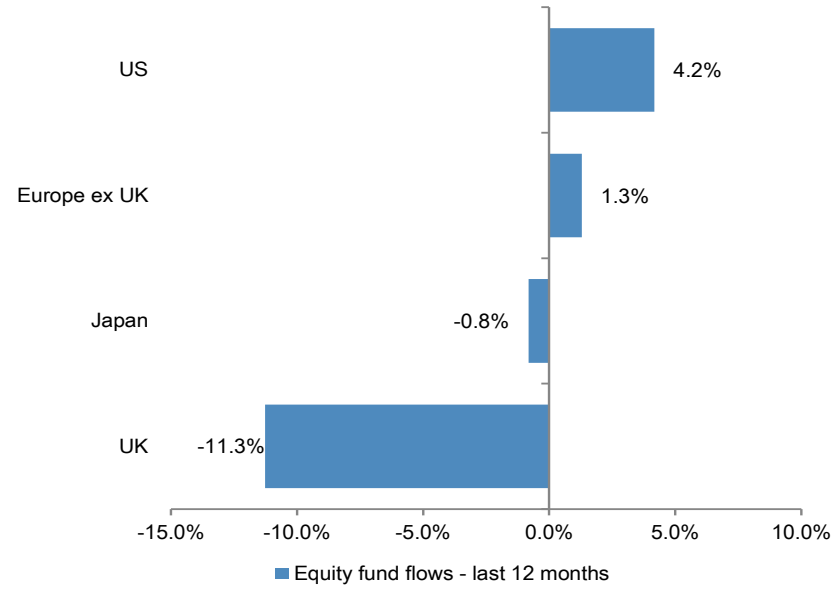
Source: EPFR

DM Equity Fund flows - last month



Source: EPFR, as of 23rd Jul, 2025

DM Equity Fund flows - last 12 months



Source: EPFR

Global sector valuations

	12m Fwd P/E			P/book			Cycle-adj P/E			12m Fwd P/Sales		
	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median
World	**20.1**	**15.9**	**-21%**	**3.7**	**2.3**	**-38%**	**34.2**	**24.7**	**-28%**	**2.5**	**1.4**	**-45%**
Energy	14.0	14.0	0%	1.4	1.7	23%	16.1	16.7	4%	1.1	0.9	-21%
Chemicals	20.6	16.0	-22%	2.0	1.9	-7%	19.3	24.0	25%	2.0	1.3	-34%
Const Mat	18.2	14.3	-22%	2.6	1.8	-32%	29.0	20.2	-30%	2.1	1.0	-53%
Metals&Mining	14.2	13.1	-7%	1.8	1.6	-10%	18.5	19.7	6%	1.2	0.9	-24%
Capital Goods	22.9	16.3	-29%	2.3	1.9	-18%	24.9	20.0	-20%	2.1	1.0	-54%
Transport	16.6	16.1	-3%	2.1	2.1	-1%	20.2	26.4	31%	1.6	1.2	-24%
Business Services	26.3	19.0	-28%	-	-	-	-	-	-	3.6	1.3	-64%
Automobile	19.9	11.7	-41%	1.5	1.4	-1%	16.9	18.9	12%	0.9	0.5	-41%
Cons Dur	19.7	17.6	-11%	4.5	2.7	-39%	34.0	34.0	0%	1.9	1.2	-39%
Media	22.1	20.0	-10%	3.0	2.4	-21%	36.2	28.9	-20%	4.5	1.8	-60%
Retailing	28.3	21.1	-25%	6.4	3.5	-45%	46.8	32.9	-30%	2.7	1.2	-54%
Hot,Rest&Leis	27.0	19.2	-29%	6.2	2.5	-60%	28.7	32.0	12%	3.7	2.1	-42%
Food&Drug Retailing	26.2	17.6	-33%	3.6	3.2	-13%	26.4	30.2	15%	0.7	0.4	-38%
Food Bev&Tob	16.8	17.1	2%	2.3	2.8	20%	23.8	28.1	18%	2.1	1.9	-8%
HPC	20.3	20.7	2%	3.6	2.1	-41%	28.7	29.1	1%	2.8	2.2	-21%
Healthcare	16.2	17.3	6%	3.9	3.3	-16%	32.6	32.3	-1%	1.6	1.9	15%
Banks	11.5	11.6	1%	1.3	1.2	-8%	16.2	19.5	21%	3.1	2.4	-22%
Div Fin	19.7	21.1	7%	-	-	-	-	-	-	4.1	1.9	-54%
Insurance	12.1	11.6	-4%	1.9	1.6	-16%	21.9	21.7	-1%	1.3	0.9	-33%
Real Estate	27.4	21.4	-22%	1.4	1.4	0%	16.3	20.0	23%	5.0	14.8	196%
Software&Svs	34.3	23.5	-32%	8.3	4.0	-52%	62.3	44.9	-28%	8.5	3.4	-60%
Tech Hardware	24.6	18.1	-26%	2.7	2.2	-18%	32.7	31.1	-5%	4.3	1.5	-65%
Semicon	30.2	17.1	-43%	9.9	2.8	-72%	91.6	30.5	-67%	10.9	3.0	-72%
Telecoms	20.1	15.6	-22%	2.2	2.2	1%	19.7	20.2	3%	3.4	1.4	-60%
Utilities	16.4	15.0	-8%	2.0	1.7	-16%	22.8	18.9	-17%	1.8	1.1	-39%
Cyclicals	**26.4**	**17.3**	**-34%**	**5.8**	**2.4**	**-59%**	**33.2**	**28.9**	**-13%**	**4.8**	**1.5**	**-69%**
Defensives	**18.2**	**17.2**	**-6%**	**3.2**	**2.9**	**-9%**	**26.4**	**27.2**	**3%**	**2.1**	**1.5**	**-31%**
Cyc. Vs. Def.	**1.4**	**1.0**	**-30%**	**1.8**	**0.8**	**-55%**	**1.3**	**1.1**	**-16%**	**2.2**	**1.0**	**-56%**

Source: Datastream, MSCI, IBES. At 29th Jul 2025. 12m Fwd P/E since 1995, Cycle-adjusted P/E since 1983, P/Book since 1980, P/Sales since 2000

European sector valuations

	12m Fwd P/E			P/book			Cycle-adj P/E			12m Fwd P/Sales		
	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median
Europe	**14.5**	**13.9**	**-4%**	**2.2**	**1.8**	**-15%**	**21.9**	**19.8**	**-9%**	**1.4**	**1.3**	**-7%**
Energy	9.7	11.8	21%	0.4	1.3	183%	14.5	14.1	-3%	0.5	0.7	62%
Chemicals	19.5	15.2	-22%	2.0	1.9	-4%	19.7	18.9	-4%	1.0	0.9	-6%
Const Mat	16.2	12.9	-21%	2.3	1.7	-29%	29.2	17.2	-41%	0.6	0.9	58%
Metals&Mining	12.3	10.9	-11%	1.0	1.3	27%	13.6	15.1	11%	1.1	0.7	-35%
Capital Goods	21.4	15.2	-29%	2.6	2.0	-23%	26.9	21.2	-21%	1.4	0.8	-46%
Business Services	14.8	14.5	-2%	-	-	-	-	-	-	1.7	1.3	-25%
Transport	22.0	17.4	-21%	1.8	1.4	-23%	17.0	20.9	23%	1.2	0.8	-32%
Automobile	8.2	9.6	16%	0.6	1.1	96%	6.8	12.5	85%	0.6	0.4	-32%
Cons Dur	22.8	16.8	-26%	4.5	2.8	-37%	37.5	35.5	-5%	3.8	1.5	-61%
Media	23.3	16.2	-31%	1.4	2.0	47%	20.6	22.9	11%	1.7	1.7	-1%
Retailing	15.4	17.4	13%	3.8	3.4	-11%	25.9	23.1	-11%	2.0	1.2	-42%
Hot,Rest&Leis	19.8	17.5	-12%	3.3	1.7	-48%	18.9	19.4	3%	1.4	0.7	-48%
Food&Drug Retailing	12.9	14.2	10%	3.4	3.0	-12%	22.5	26.4	17%	0.3	0.3	2%
Food Bev&Tob	16.0	16.7	4%	1.4	2.3	65%	22.1	24.1	9%	1.9	1.3	-35%
HPC	17.9	20.5	15%	3.5	2.5	-29%	28.8	24.1	-16%	2.2	2.2	0%
Healthcare	14.0	16.7	19%	3.0	3.0	1%	29.2	26.4	-9%	3.1	3.0	-3%
Banks	8.9	10.8	21%	1.1	0.9	-21%	18.0	12.7	-29%	1.7	2.2	29%
Diversified Financials	13.8	12.0	-13%	-	-	-	-	-	-	2.5	2.3	-8%
Insurance	11.7	10.5	-11%	1.9	1.5	-20%	20.7	20.7	0%	0.9	0.6	-28%
Real Estate	12.9	18.5	43%	0.9	1.0	14%	10.1	23.6	134%	10.9	9.0	-18%
Software&Svs	29.9	22.3	-25%	4.7	3.1	-34%	36.7	33.5	-9%	5.6	2.7	-52%
Tech Hardware	15.8	17.7	12%	1.3	2.2	61%	22.1	22.1	0%	3.3	1.6	-52%
Semicon	24.0	22.0	-8%	2.1	2.3	8%	29.0	38.3	32%	8.7	3.6	-59%
Telecoms	17.8	14.3	-20%	1.8	2.1	17%	19.8	19.6	-1%	1.5	1.5	0%
Utilities	13.1	13.6	4%	1.7	1.5	-11%	19.4	18.8	-3%	1.0	1.1	17%
Cyclicals	**15.5**	**15.3**	**-1%**	**2.7**	**1.9**	**-28%**	**26.2**	**20.5**	**-22%**	**1.5**	**0.9**	**-39%**
Defensives	**16.0**	**16.1**	**0%**	**2.3**	**2.5**	**12%**	**24.1**	**23.2**	**-4%**	**2.1**	**1.5**	**-25%**
Cyc. vs Def.	**1.0**	**0.9**	**-3%**	**1.2**	**0.8**	**-36%**	**1.1**	**0.9**	**-19%**	**0.7**	**0.6**	**-19%**

Source: Datastream, MSCI, IBES. At 29th Jul 2025. 12m Fwd P/E since 1995, Cycle-adjusted P/E since 1983, P/Book since 1980, P/Sales since 2000

UK sector valuations

	12m Fwd P/E			P/book			Cycle-adj P/E			12m Fwd P/Sales		
	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median
UK	13.0	13.0	0%	2.1	1.8	-11%	18.8	17.5	-7%	1.5	1.1	-25%
Energy	10.7	11.9	12%	0.2	1.2	516%	22.3	16.4	-26%	0.7	0.6	-11%
Chemicals	16.5	16.1	-2%	1.4	2.3	65%	10.0	19.0	91%	2.1	0.8	-63%
Const Mat	-	-	-	1.4	1.9	39%	18.9	17.2	-9%	-	1.3	-
Metals&Mining	13.6	11.4	-16%	1.4	1.7	23%	15.1	16.9	12%	0.6	0.9	45%
Capital Goods	23.8	14.0	-41%	1.6	2.7	68%	20.8	17.9	-14%	2.0	0.8	-59%
Transport	-	-	-	2.5	2.4	-7%	19.9	19.2	-3%	-	-	-
Business Services	26.0	16.8	-35%	-	-	-	-	-	-	4.7	1.3	-72%
Automobile	-	-	-	-	-	-	4.7	15.7	236%	-	-	-
Cons Dur	11.7	11.0	-7%	3.9	4.8	22%	13.0	27.8	113%	0.9	1.9	106%
Media	12.4	15.2	23%	1.0	1.8	85%	24.8	23.3	-6%	1.4	1.5	4%
Retailing	13.6	13.6	0%	2.6	2.5	-5%	15.9	19.4	22%	0.8	0.7	-17%
Hot,Rest&Leis	21.5	16.4	-24%	8.2	1.8	-79%	19.8	20.1	2%	1.6	0.8	-50%
Food&Drug Retailing	14.2	14.0	-1%	5.8	3.0	-48%	21.2	23.1	9%	0.4	0.4	11%
Food Bev&Tob	11.7	14.0	20%	0.7	2.6	258%	20.9	22.5	8%	2.5	1.9	-23%
HPC	16.4	18.2	11%	2.2	1.5	-31%	13.9	19.7	42%	2.2	2.8	25%
Healthcare	13.1	15.6	19%	2.9	4.9	71%	28.4	23.3	-18%	2.9	2.8	-3%
Banks	9.0	10.4	16%	1.0	0.9	-9%	21.4	12.4	-42%	2.7	2.2	-19%
Div Fin	11.7	13.2	13%	-	-	-	-	-	-	5.8	3.0	-48%
Insurance	11.4	10.5	-9%	2.5	2.0	-19%	16.6	14.9	-10%	1.0	0.8	-18%
Real Estate	14.6	20.7	42%	0.8	0.9	10%	13.0	24.1	86%	9.1	26.5	192%
Software&Svs	26.7	19.4	-27%	4.4	2.5	-44%	30.3	31.1	3%	4.6	3.1	-32%
Tech Hardware	-	-	-	4.6	3.2	-31%	20.8	24.9	19%	-	1.1	-
Semicon	-	-	-	-	-	-	79.3	-	-	-	13.1	-
Telecoms	11.8	13.1	11%	1.8	2.2	25%	12.7	19.0	50%	0.9	1.5	67%
Utilities	12.4	13.3	7%	1.6	2.3	46%	16.8	16.0	-5%	1.7	0.9	-44%
Cyclicals	15.8	14.2	-11%	2.3	2.1	-7%	30.1	20.9	-30%	2.0	1.2	-41%
Defensives	10.5	14.3	36%	1.9	3.6	89%	22.9	21.0	-9%	2.0	1.8	-8%
Cyc. Vs. Def.	1.5	0.9	-38%	1.2	0.6	-51%	1.3	1.0	-24%	1.0	0.7	-33%

Source: Datastream, MSCI, IBES. At 29th Jul 2025. 12m Fwd P/E since 1995, Cycle-adjusted P/E since 1983, P/Book since 1980, P/Sales since 2000

Regional GDP, CPI, Interest Rate and Exchange Outlook

	Real GDP % oya			Real GDP % over previous period, saar						Consumer prices % oya			
	2024	2025E	2026E	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	1Q25	3Q25	1Q26	3Q26
United States	2.8	1.7	1.7	-0.5	3.2	1.0	0.5	2.0	2.5	2.7	3.1	3.2	2.9
Eurozone	0.9	1.1	0.9	2.3	-0.5	0.5	0.7	1.0	1.3	2.2	2.0	1.7	1.5
United Kingdom	1.1	1.1	0.9	2.9	0.2	0.6	0.8	0.8	1.0	2.5	3.5	3.4	2.6
Japan	0.2	1.1	0.8	-0.2	1.2	0.6	0.8	0.8	0.8	2.9	3.4	2.8	2.3
Emerging markets	4.2	3.8	3.2	2.2	2.4	1.5	1.3	2.6	2.4	3.1	2.7	2.9	2.8
Global	2.8	2.4	2.1	4.4	3.5	2.5	2.2	4.1	3.1	2.9	2.6	2.8	2.7

	Forecast		Forecast for			
Official interest rate	next change	Current	Sep 25	Dec 25	Mar 26	Jun 26
Federal funds rate	Dec 25 (-25bp)	4.50	4.50	4.25	3.75	3.50
Depo rate	Oct 25 (-25bp)	2.00	2.00	1.75	1.75	1.75
Bank Rate	Aug 25 (-25bp)	4.25	4.00	3.75	3.50	3.50
Pol rate IOER	Oct 25 (+25bp)	0.50	0.50	0.75	0.75	1.00

10 Yr		Forecast for end of			
Govt BY	30-Jul-25	Sep 25	Dec 25	Mar 26	Jun 26
US	4.33	4.40	4.35	4.25	4.25
Euro Area	2.69	2.30	2.40	2.50	2.55
United Kingdom	4.60	4.60	4.50	4.50	4.50
Japan	1.56	1.55	1.60	1.70	1.80

		Forecast for end of			
Exchange rates vs US$	29-Jul-25	Sep 25	Dec 25	Mar 26	Jun 26
EUR	1.15	1.19	1.20	1.22	1.22
GBP	1.33	1.37	1.36	1.39	1.37
CHF	0.81	0.77	0.76	0.75	0.75
JPY	148	141	140	139	139
DXY	98.9	95.8	95.0	93.5	93.6

Source: J.P. Morgan estimates, Bloomberg Finance L.P

European countries' valuations and EPS growth metrics

	Fwd P/E				P/Book				Div Yield (%)		Perf		EPS Growth				GDP Growth		
	Current	LT Median	% Disc	% Disc Rel to EMU	Current	LT Median	% Disc	% Disc Rel to EMU	Current	LT Median	2024	YTD	2025e	2026e	2027e	YTD 12m Fwd EPS	2024	2025e	2026e
Austria	10.1	11.4	-11%	-14%	1.4	1.2	16%	1%	5.1	2.5	20%	25%	-7%	13%	6%	3.1%	*-1.1*	*0.0*	*1.1*
Belgium	16.8	14.4	17%	11%	1.9	1.9	0%	-14%	2.0	3.0	14%	6%	17%	18%	16%	4.6%	*1.0*	*0.9*	*1.0*
Finland	17.2	15.4	11%	6%	1.9	2.3	-16%	-36%	4.5	3.6	-4%	13%	-2%	21%	12%	-0.1%	*-0.2*	*0.9*	*1.4*
France	14.9	13.9	7%	1%	1.9	1.8	9%	-5%	3.1	3.1	-1%	6%	1%	12%	10%	-2.6%	1.1	0.4	0.8
Germany	15.3	13.1	17%	10%	1.9	1.7	12%	-2%	2.5	2.7	15%	18%	4%	14%	14%	0.6%	-0.2	0.4	1.1
Greece	9.1	12.7	-28%	-30%	1.4	1.3	3%	-8%	3.6	2.6	12%	47%	4%	7%	11%	6.1%	*2.3*	*2.0*	*1.8*
Ireland	11.7	14.4	-19%	-25%	1.9	1.9	-2%	-15%	2.7	2.1	18%	19%	-1%	10%	11%	8.0%	*2.7*	*5.7*	*2.0*
Italy	12.3	13.0	-5%	-10%	1.6	1.2	33%	12%	4.5	3.8	14%	21%	0%	11%	10%	0.2%	0.5	0.6	0.6
Netherlands	17.0	14.8	15%	9%	3.0	2.3	32%	22%	2.0	2.6	6%	3%	-4%	11%	15%	1.8%	*1.1*	*1.3*	*1.2*
Portugal	15.0	15.0	0%	-6%	1.8	2.0	-11%	-26%	3.8	3.7	-22%	15%	24%	6%	5%	2.4%	*1.9*	*1.7*	*1.9*
Spain	11.8	12.6	-7%	-11%	1.7	1.5	16%	1%	3.8	4.0	14%	28%	-1%	5%	9%	11.7%	3.2	2.3	1.7
EMU	**14.4**	**13.5**	**6%**		**1.9**	**1.7**	**14%**		**3.0**	**3.1**	**7%**	**13%**	**1%**	**12%**	**12%**	**2.4%**	**0.9**	**1.0**	**1.1**
Norway	12.1	11.6	5%		1.9	1.7	11%		5.9	3.7	2%	11%	-3%	6%	7%	-6.0%	0.6	1.5	1.5
Sweden	18.5	15.3	21%		2.6	2.2	17%		2.7	2.9	3%	7%	-6%	12%	11%	-1.5%	1.0	1.4	2.1
Switzerland	17.6	16.3	8%		3.5	2.8	26%		3.1	2.8	3%	4%	6%	10%	10%	-2.7%	*1.4*	*1.1*	*1.4*
Denmark	14.5	16.7	-13%		3.4	3.3	2%		2.9	1.7	-8%	-25%	-1%	14%	14%	2.6%	*3.5*	*2.7*	*2.0*
United Kingdom	13.0	12.9	0%		2.1	1.9	11%		3.3	3.6	5%	11%	1%	12%	11%	-1.9%	1.1	1.1	0.9
Europe	**14.5**	**13.9**	**4%**		**2.2**	**1.9**	**14%**		**3.1**	**3.2**	**5%**	**9%**	**2%**	**12%**	**11%**	**-0.2%**	**0.9**	**1.1**	**0.9**
US	22.9	16.7	37%		5.5	3.0	84%		1.2	1.8	23%	8%	10%	14%	13%	4.1%	2.8	1.7	1.7

Source: Datastream, IBES, J.P. Morgan Economics Research, consensus forecast in italics, 29TH Jul 2025

Global Equities Performance & Valuations

3M Performance	Market	Energy	Materials	Industrials	Discretionary	Staples	Healthcare	Financials	IT	Telecom	Utilities
US	**14.8%**	7.0%	7.5%	17.2%	14.4%	-1.0%	-3.1%	10.2%	27.8%	18.0%	6.4%
Europe	**4.9%**	**10.2%**	**2.4%**	**13.2%**	**1.6%**	**-3.1%**	**-1.2%**	**8.3%**	**3.0%**	**3.4%**	**2.1%**
UK	**7.5%**	11.6%	6.7%	11.9%	5.7%	4.9%	2.8%	9.6%	10.0%	9.7%	0.3%
Euro	**5.5%**	7.6%	-0.6%	14.3%	1.6%	-3.1%	2.6%	8.1%	2.3%	0.8%	2.2%
Switzerland	**0.3%**	-	2.4%	14.8%	-4.4%	-14.2%	-0.2%	6.7%	-	3.3%	-
Japan	**9.4%**	12.9%	6.6%	14.0%	1.9%	1.1%	2.1%	13.5%	14.1%	13.6%	4.2%
World	**12.5%**	8.0%	5.4%	15.3%	11.2%	-1.4%	-2.2%	10.3%	25.9%	16.4%	4.9%
12M Performance											
US	**17.2%**	-1.2%	-0.7%	20.3%	22.4%	5.4%	-10.1%	23.6%	25.7%	29.0%	18.2%
Europe	**7.0%**	**-6.6%**	**-3.6%**	**22.8%**	**-4.4%**	**-1.3%**	**-16.5%**	**32.8%**	**-3.4%**	**18.8%**	**14.5%**
UK	**9.7%**	-5.0%	-13.8%	24.9%	4.9%	8.4%	-9.3%	36.8%	20.8%	5.1%	6.3%
Euro	**14.1%**	-9.1%	3.5%	33.4%	-6.3%	-0.3%	3.9%	39.2%	-4.6%	17.6%	18.8%
Switzerland	**-1.1%**	-	-4.6%	2.5%	2.5%	-15.5%	-4.5%	17.5%	-	5.5%	-
Japan	**4.1%**	-4.5%	-17.4%	9.9%	3.7%	-2.2%	-11.1%	10.7%	-1.7%	23.0%	-6.0%
World	**14.8%**	-0.9%	-0.7%	19.1%	16.0%	3.2%	-11.4%	25.2%	23.5%	28.0%	16.1%
P/Book (-1M)											
US	**5.0**	1.9	3.0	6.7	9.4	7.1	4.5	2.4	11.8	5.0	2.3
Europe	**2.2**	**1.0**	**1.7**	**4.0**	**2.0**	**3.2**	**3.5**	**1.4**	**5.2**	**2.2**	**1.9**
UK	**2.2**	1.4	2.2	9.4	3.1	2.9	6.9	1.6	13.7	0.7	2.6
Euro	**1.9**	0.9	1.6	3.5	1.7	2.4	1.8	1.3	5.4	2.3	1.9
Switzerland	**3.2**	-	3.5	7.5	3.1	3.7	5.3	1.5	-	4.2	-
Japan	**2.5**	1.2	1.6	3.1	2.4	3.0	3.7	1.6	4.4	4.1	1.1
World	**3.5**	1.6	2.1	4.0	4.4	4.7	4.0	1.9	10.0	4.2	2.0
12m Fw P/E											
US	**22.8**	15.1	19.9	25.3	30.1	21.9	16.6	16.7	30.0	20.2	18.8
Europe	**14.6**	**9.7**	**16.3**	**20.7**	**15.0**	**16.6**	**14.0**	**10.3**	**25.6**	**18.3**	**13.8**
UK	**12.8**	10.4	14.5	24.5	18.4	13.5	12.4	9.6	28.7	11.7	12.9
Euro	**14.4**	8.8	16.0	19.4	13.9	17.3	14.0	9.8	26.7	16.7	14.0
Switzerland	**17.5**	-	21.1	25.5	22.3	21.9	14.7	14.3	20.8	20.4	-
Japan	**14.7**	9.3	13.6	15.2	13.7	19.6	19.7	10.3	20.4	21.3	8.6
World	**20.0**	13.6	17.4	22.0	24.1	19.8	16.1	14.1	29.5	20.1	16.7
12m fw EPS Gr											
US	**12.4**	4.9	11.7	14.6	10.2	4.4	12.0	10.5	18.5	12.9	7.0
Europe	**7.5**	**-0.7**	**8.1**	**9.9**	**9.6**	**4.2**	**10.1**	**7.7**	**12.2**	**8.3**	**2.7**
UK	**7.4**	0.4	4.8	10.7	11.7	3.5	10.1	11.1	10.4	2.3	9.2
Euro	**7.4**	-1.2	11.2	11.8	10.0	6.1	10.7	5.1	14.4	8.4	1.0
Switzerland	**9.2**	-	5.5	9.2	6.2	2.1	7.7	20.9	-3.1	-1.7	-
Japan	**4.6**	-5.6	10.4	0.3	-1.7	18.2	18.2	7.6	13.8	3.1	-10.2
World	**10.3**	2.0	10.1	10.4	8.1	5.1	11.7	8.8	18.0	12.0	4.6
Dividend Yield											
US	**1.5**	3.4	1.8	1.4	1.8	2.5	2.3	1.7	0.6	0.9	2.8
Europe	**3.1**	**5.4**	**3.0**	**1.9**	**2.8**	**3.3**	**2.8**	**4.5**	**1.1**	**3.5**	**4.4**
UK	**3.4**	4.7	3.5	1.5	2.1	4.2	2.8	3.9	1.2	4.0	4.0
Euro	**3.0**	6.1	2.9	1.9	3.0	2.5	2.5	4.6	1.0	3.2	4.7
Switzerland	**3.0**	-	2.9	2.2	2.2	2.8	3.0	3.8	-	3.9	-
Japan	**2.3**	3.8	2.9	2.1	2.3	2.3	2.3	3.3	1.5	1.7	2.7
World	**1.9**	4.1	2.4	1.7	2.2	2.7	2.4	2.7	0.7	1.2	3.4

Source: IBES, MSCI, Datastream, At 29th Jul 2025, * Discount to MSCI World

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Cash Merger: The divisor is adjusted and we remove the target company from the basket on the day of merger and redistribute gains into remaining companies according to recalculated market cap weights of surviving constituents in the basket.

Stock Merger: If the acquirer is a member of the basket, then the weight allocated to the acquired will transfer to the surviving entity on the close of the last day it trades. If the acquirer is not a part of the basket, then proceeds (losses) from the acquired company will be redistributed to the surviving basket constituents based on the recalculated weighting on the close of its last trading day.

Spinoffs: The spinoff company and parent will be included in the basket and both the spinoff and parent company weights will be readjusted according to new market capitalizations after the spinoff date.

Tender Offers & Share Buybacks: The stock will remain in the basket and its weight will be adjusted according to the impact the tender/buyback has on the stock's market value.

Delisting/Insolvency/Bankruptcy: The stock will be removed from the basket as of the close of the last trading day, and the proceeds (losses) will be redistributed among remaining companies according to re-calculated weights of remaining stocks in the basket. If a stock trades on "pink sheets" it will not be included in the basket.

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